



V'Smart Academy

CA FINAL AUDIT

FADU 2.0

Full

Audit

Delivered

Uniquely

CHART BOOK

AUDIT IN 100 PAGES (approx)

- ◆ Covers Each & every Concept of BHASKAR Regular Notes.
- ◆ Covers all Shortcuts
- ◆ Easy Flow for Better Retention
- ◆ Super Linking Feature
- ◆ 2nd edition Covers 85% of the chapters
- ◆ Hierarchy based flow charts
- ◆ Full Colourful Charts

CA RAVI TAORI

Auditguru.in

Associated Guest Faculty with



WhatsApp Ravi Sir
Only for Study related doubts

9096 0000 33





Key to Multiple Revisions

PREFACE

We at Auditguru believe in making consistent efforts in improving our content quality as well as content delivery. We work on the principles of Kaizen i.e. continuous improvement.

It gives us immense pleasure in presenting our **CA Final FADU Chart Book**. This book will help the stress of Audit subject for students.

CA Final Audit is covered is just 100 pages. This Chart Book is an outcome of more than 1 year of hard work and dedication of the entire Auditguru team and It covers 85% of the entire CA Final audit course.

We believe that Studying from charts is highly effective. This chart book is suitable for all students irrespective of whether they have studied from Ravi sir before or not. However, If students have also seen our Regular In-depth course or Exam Oriented course, it would be an added advantage. All concepts of Bhaskar our regular notes are covered in charts in same sequence.

The videos covering FADU Charts are available on our **YouTube channel - "Ravi Taori"** and our **Telegram Channel-Auditguru (CA Ravi Taori)**.

Students are advised to also cover PARAM Question Bank for best preparation.

I would like to mention my Sincere thanks to **VSMART management**. **Vishal Bhattad Sir** has always inspired me to become better professor. **Ujwal Bhattad Sir** has been my Mentor on every aspect of teaching & encouraged me to make FADU Chart Book.

I am blessed with best people in my team. They have worked passionately with all enthusiasm. CA Neha Jangra, CA Anjanesh Kanojiya, Vaishnavi, ACCA Akash Hirani. Rohit, Anshul, Priyanka, Vaibhav B, Vaibhav R, Sudhir, Rajni, Rahul, Nilesh & team of designers.

Lastly but most importantly, we all are thankful to **Snehal Madam**. She is our Fire Fighter, Trouble shooter & my Life Line.

Happy Studying!!!

CA Ravi Taori

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*FADU 2.0 doesn't cover AAE / NBFC / Consolidation / Bank & Insurance Audit. You are advised to cover them from Bhaskar regular notes and revision audios. We won't be able to make these charts before coming attempt. If we complete any of these chapters, we will put soft copy on our "Auditguru" Telegram channel.

Master Link For All Our Resources



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Discussion points (Ask Doubts)



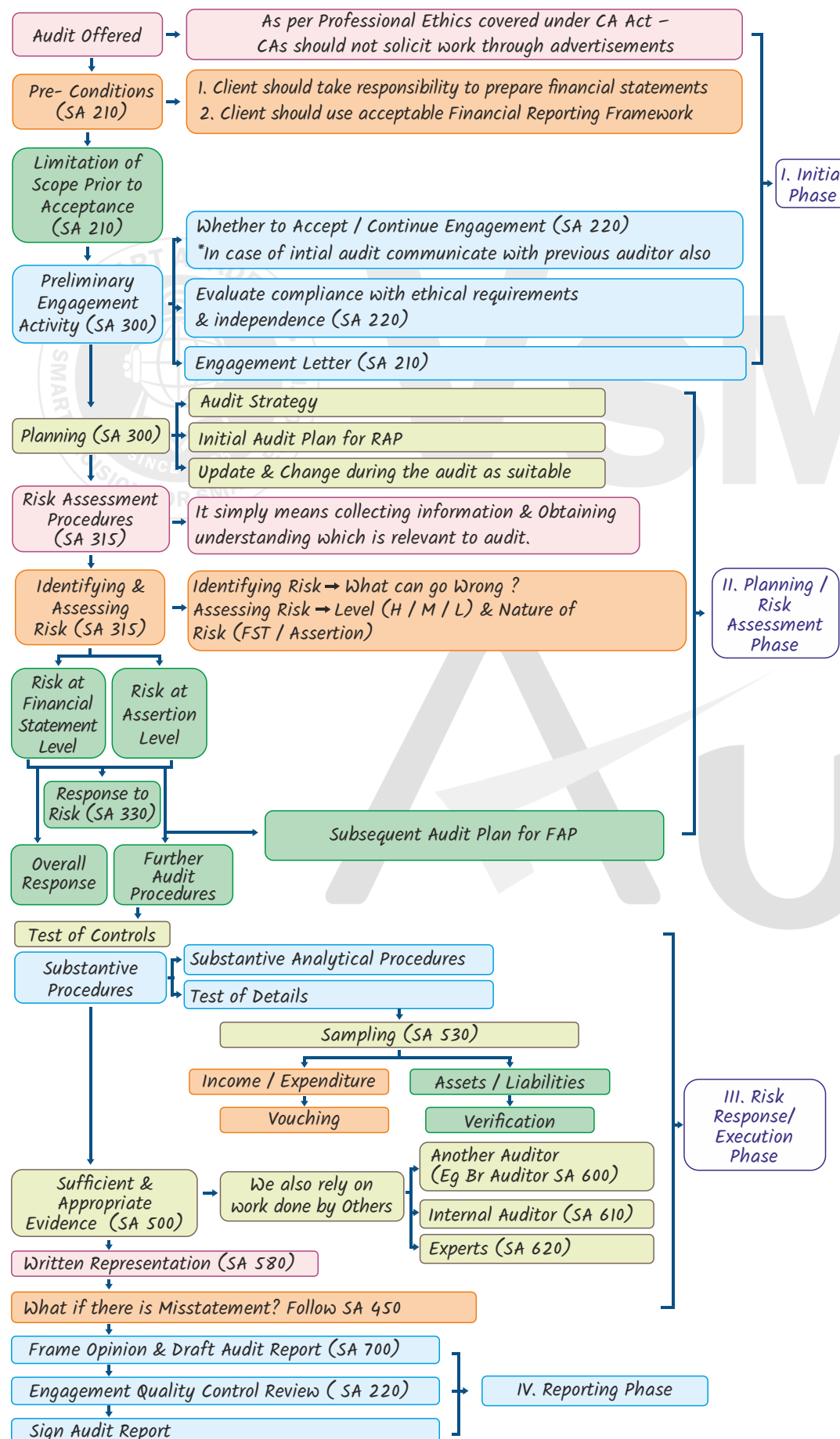
QR Codes

CHAPTER 01

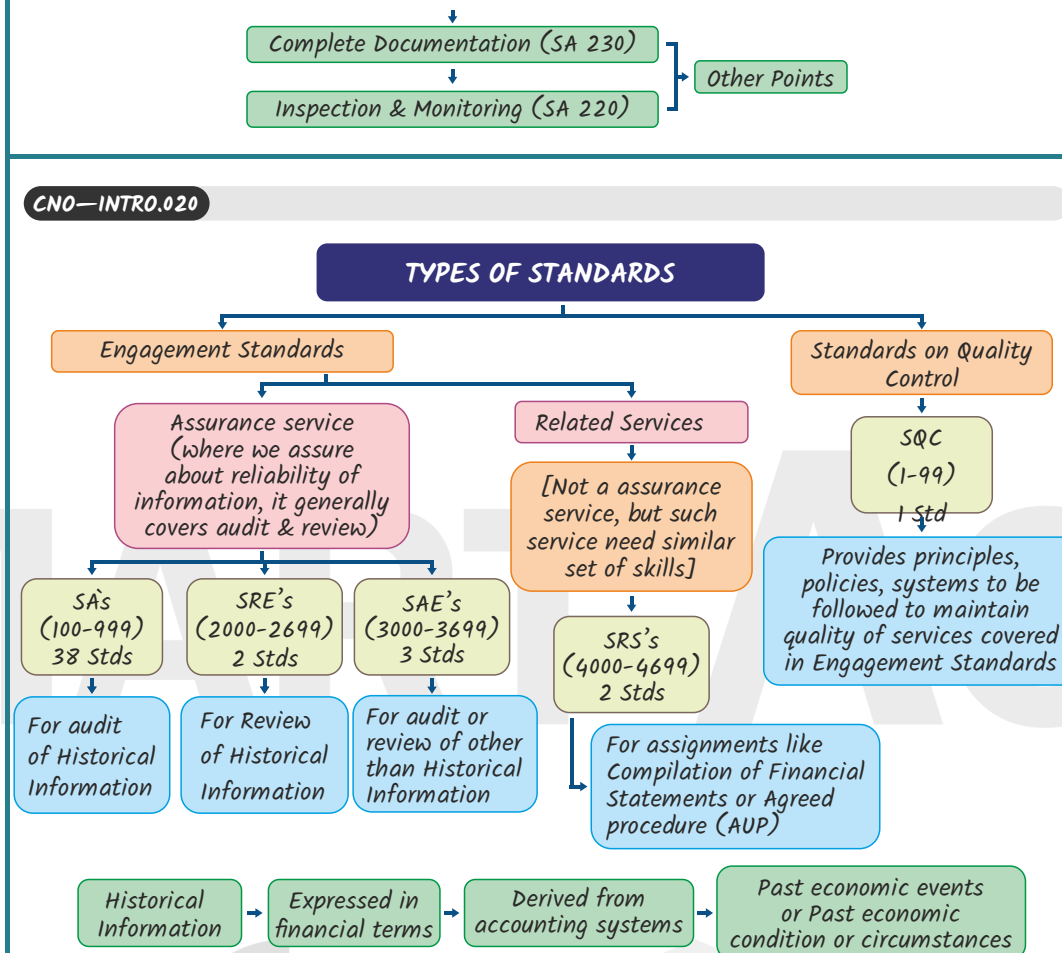
AUDITING STANDARDS, STATEMENTS AND GUIDANCE NOTES - AN OVERVIEW

CNO—CAP.020

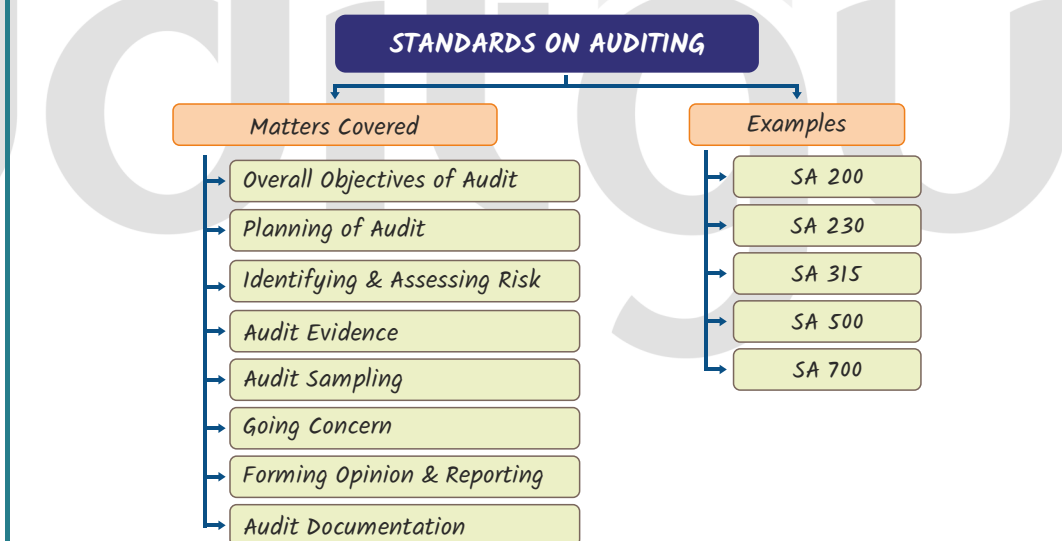
Part I - Core Audit Process & SA Introduction



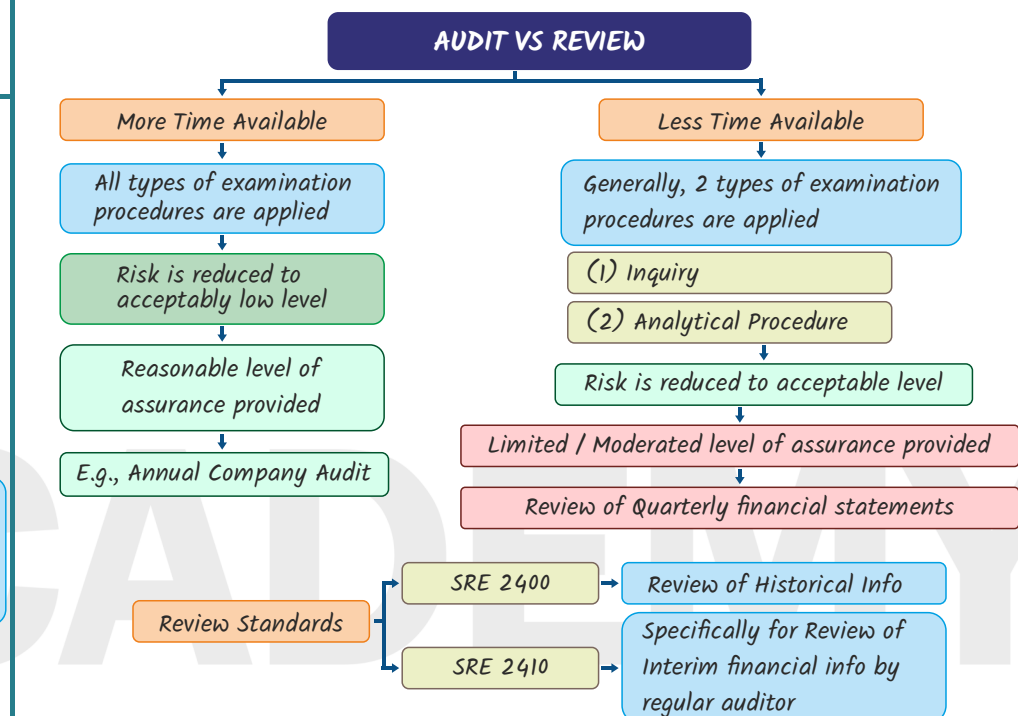
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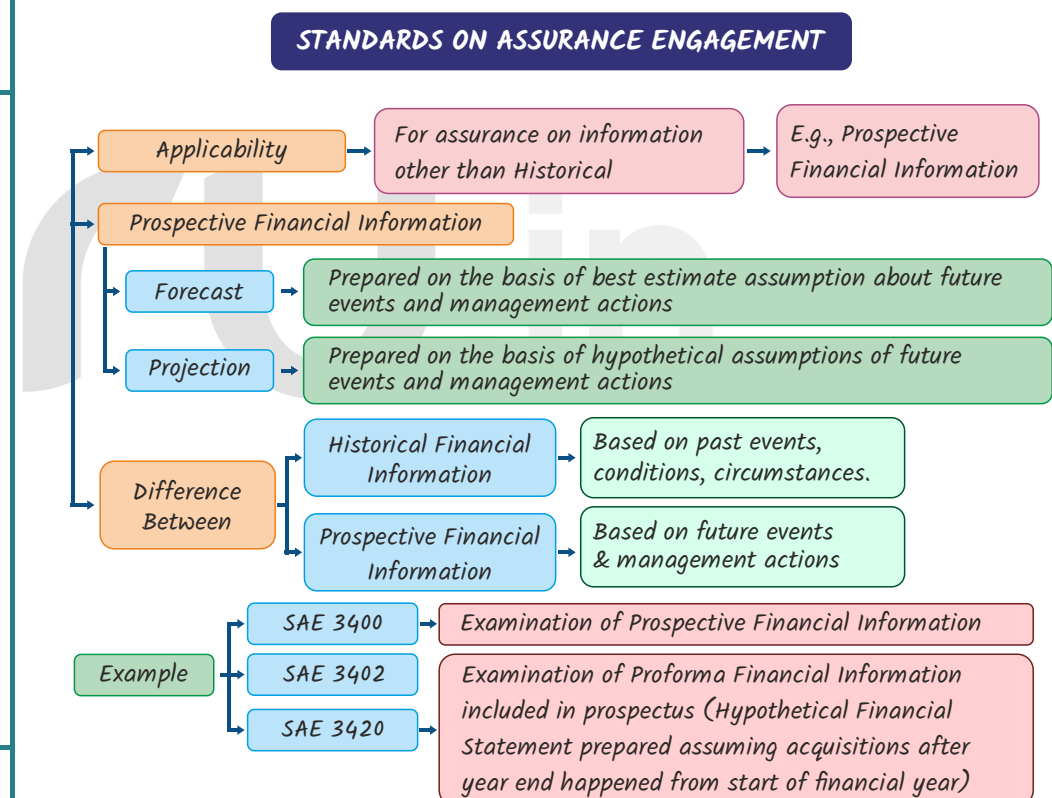
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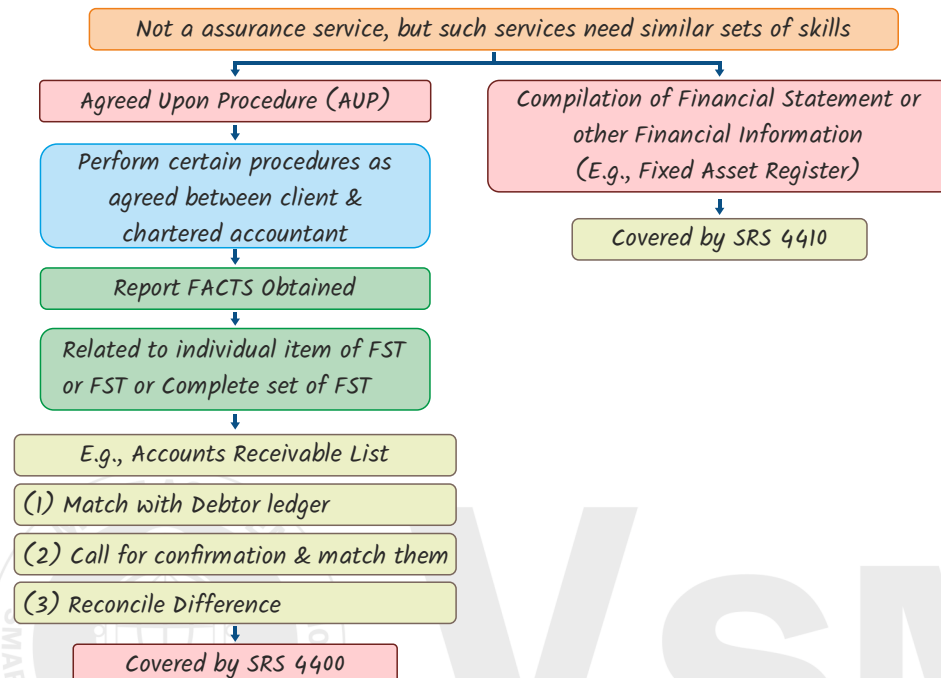
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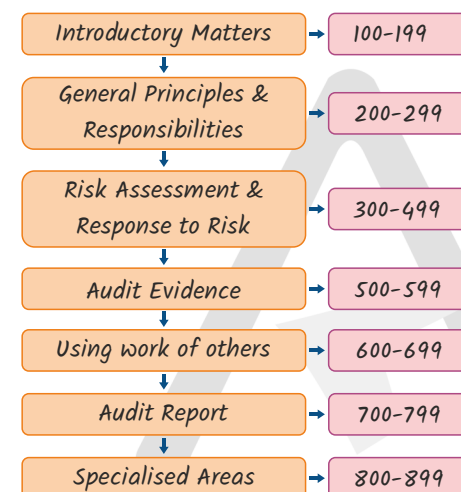


STANDARDS ON RELATED SERVICES



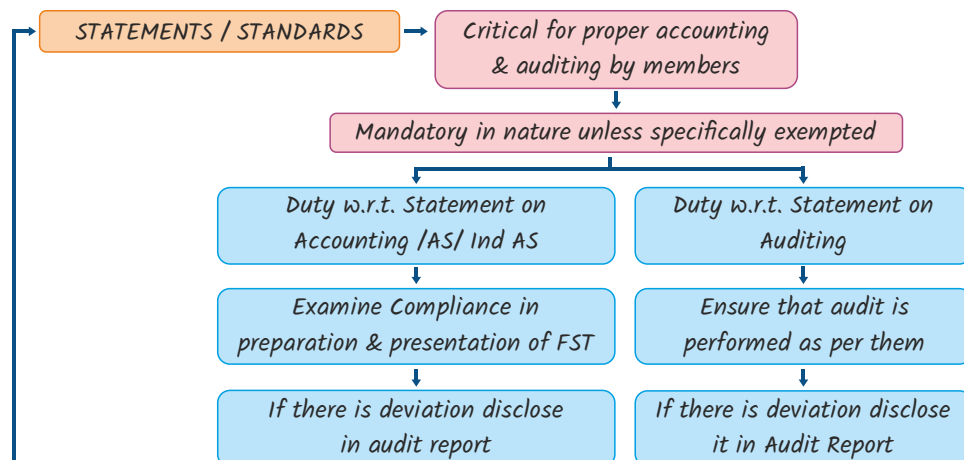
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BREAK-UP OF SAs

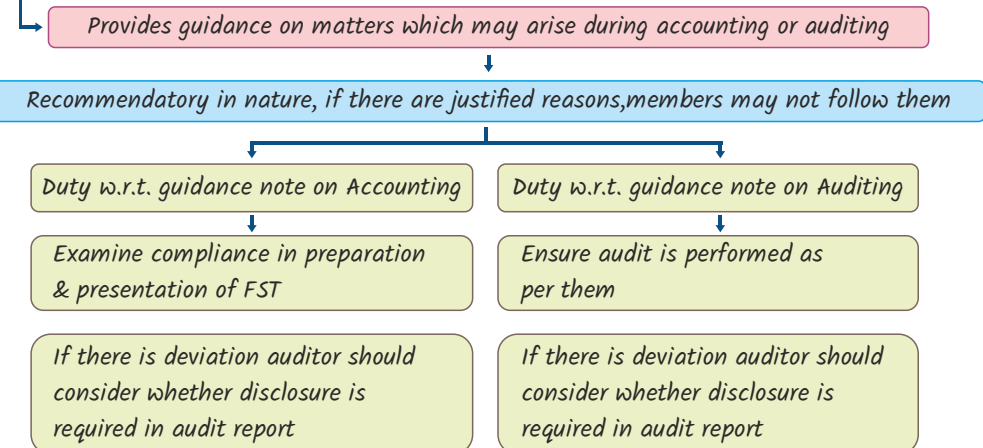


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COMPLIANCE WITH DOCUMENTS ISSUED BY ICAI

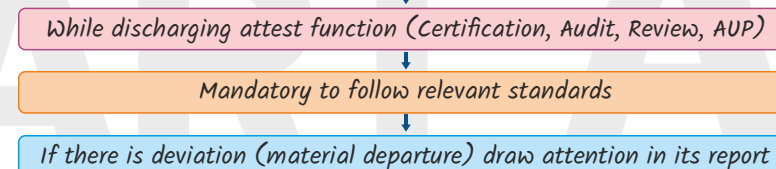


GUIDANCE NOTE



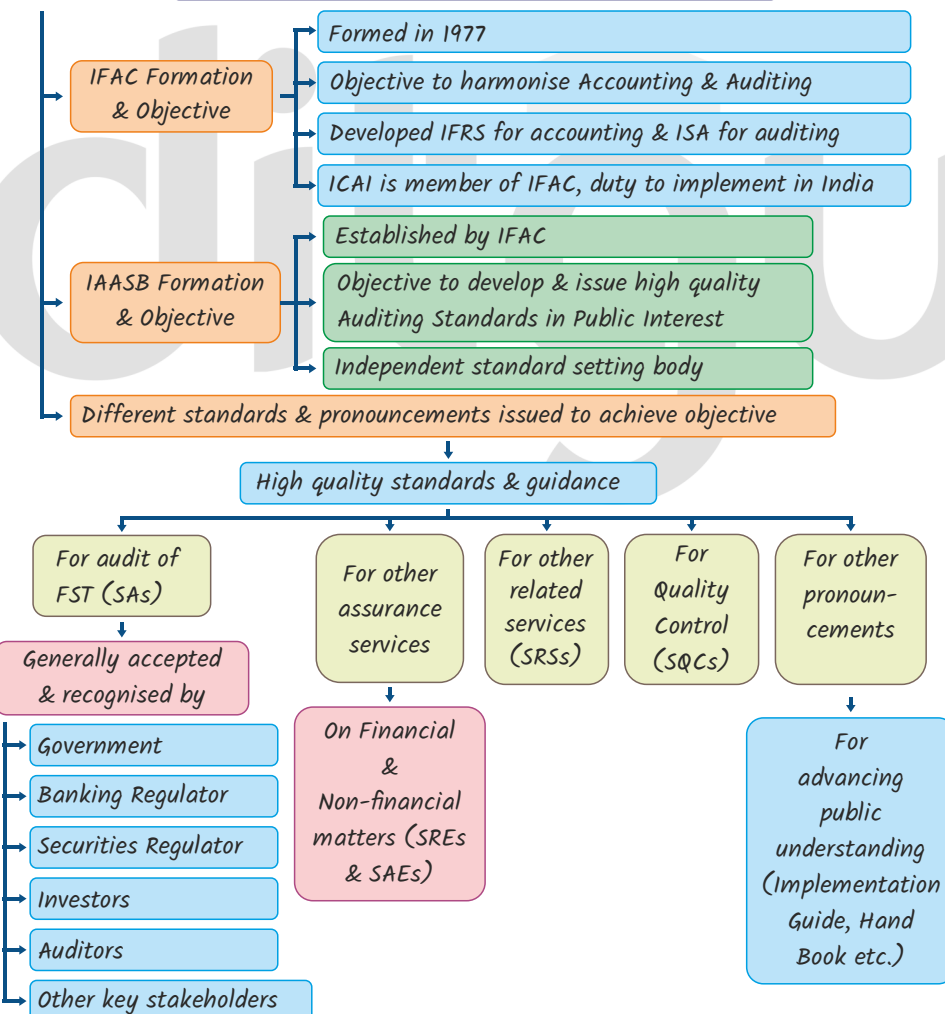
CNO—INTRO.090

DUTY OF MEMBER OF ICAI



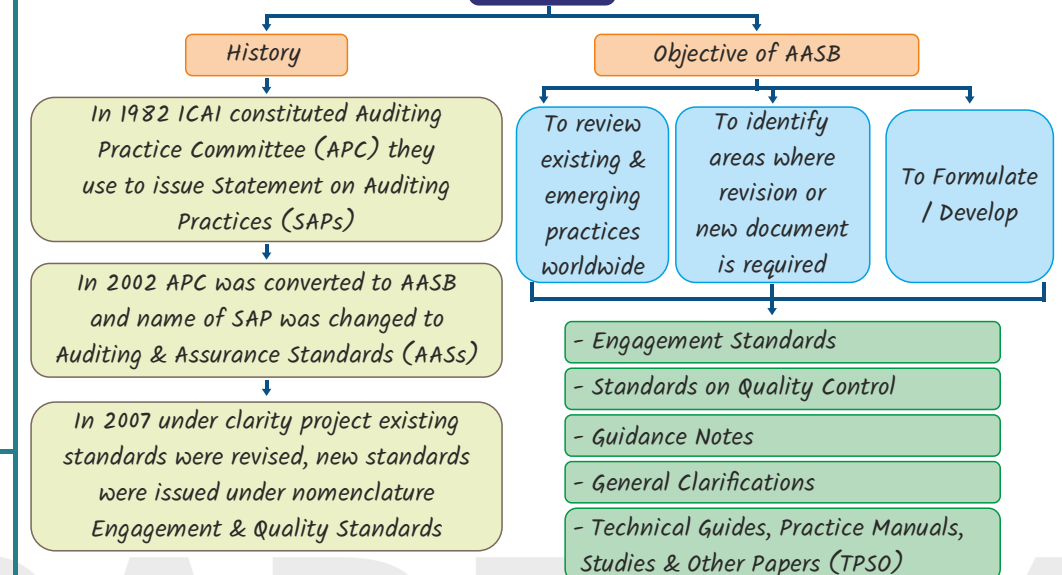
CNO—INTRO.120

OBJECTIVES / ROLE / FUNCTIONS OF IAASB



CNO—INTRO.140

AASB

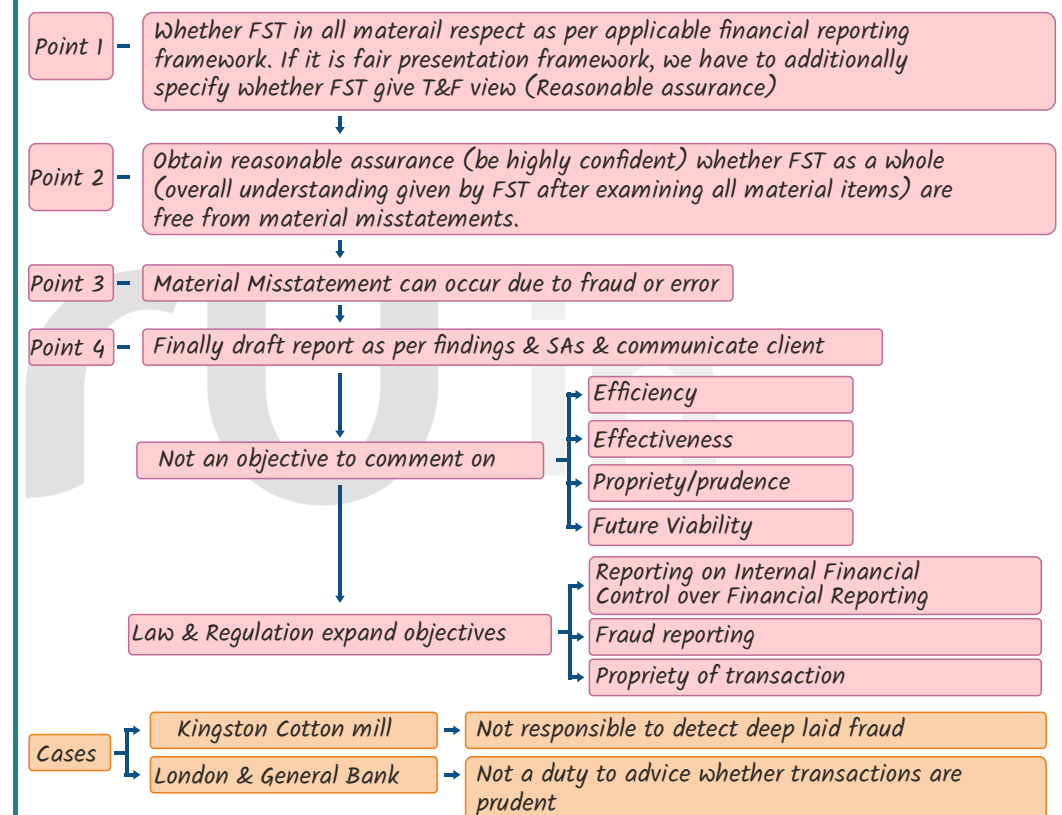


CNO—SA 200.020

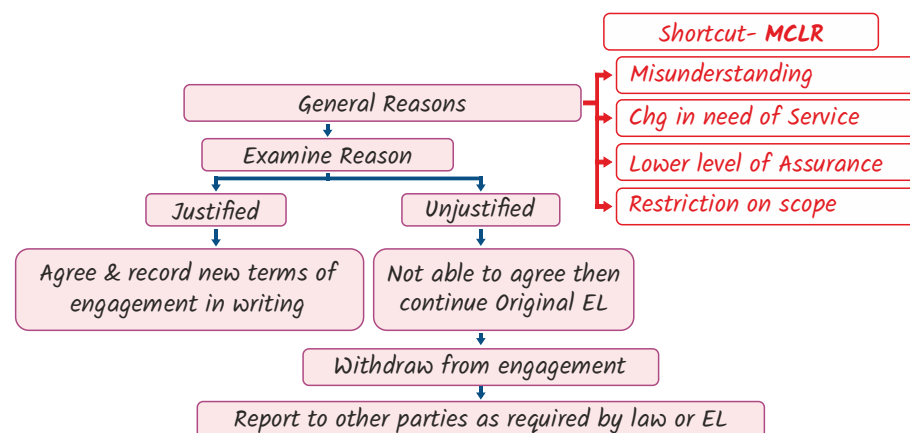
MCQ-200.2

Part 2 -- SA 200 Series

OVERALL AUDIT OBJECTIVES



CHANGE IN TERMS



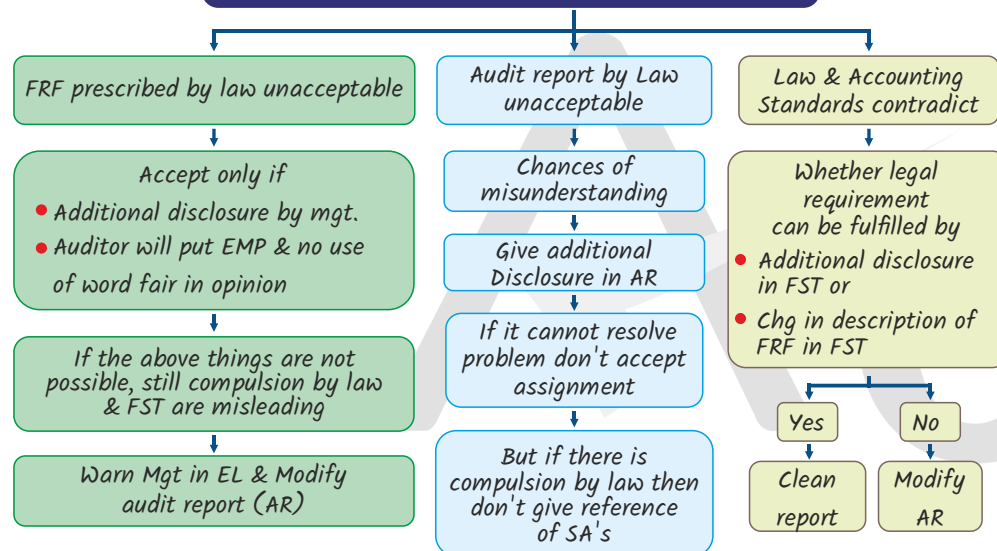
LOWER LEVEL OF ASSURANCE

(Change from audit to review or review to AUP)

If lower level of assurance is justified, issue report as per revised terms, & in order to avoid confusion, no need to refer to original assignment or procedures.

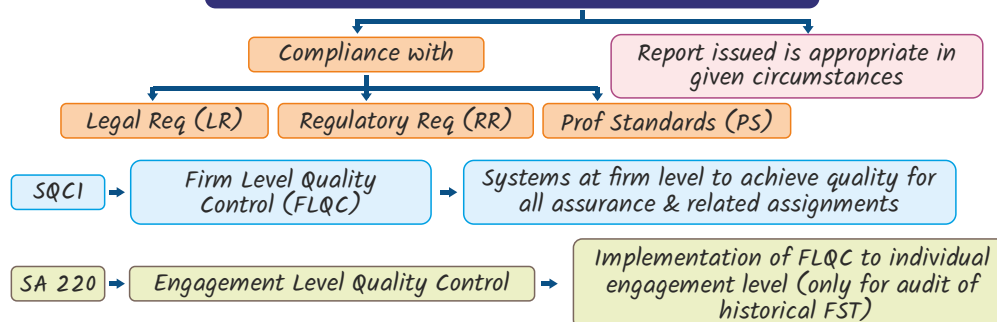
Only if assignment is agreed upon procedure(AUP) then explain all relevant procedures in report even if performed earlier.

ADDITIONAL CONSIDERATIONS WHILE ENGAGEMENT ACCEPTANCE

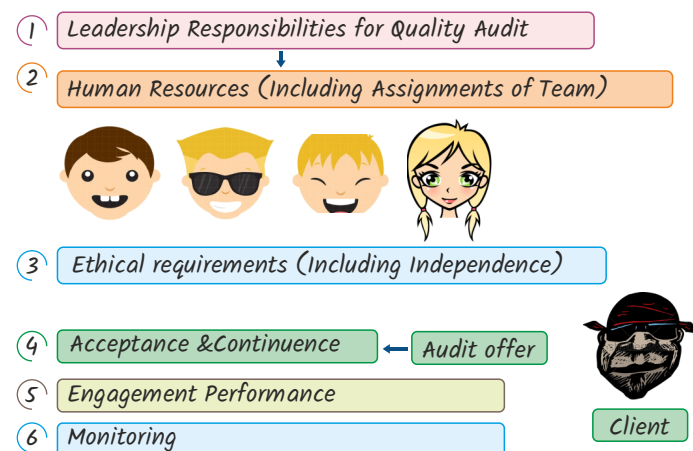


SA 220

QUALITY OF AUDIT IS MAINTAINED IF



ELEMENTS OF QUALITY CONTROL



***Note : Part 1 & Part 2 omitted as not much relevant.

3 ETHICAL REQUIREMENTS (INCL INDEPENDENCE)

3A Ethical Requirement (Covered in SA 200)

3B Independence

Engagement Partner shall form conclusion on compliance with independence requirement, EP shall:-

Step-1 Obtain relevant information from firm, network & evaluate circumstances & relationship that create threats

Step-2 Evaluate information on identified breaches, whether they create threats

Step-3 Take appropriate action

- Reduce them by applying safeguards
- Eliminate threats
- Withdraw

Promptly report to firm any inability to resolve matter

4 ACCEPTANCE & CONTINUANCE (A & C)

EP shall be satisfied that appropriate procedures for A & C are followed

Information which will assist in A & C

- Integrity of Owner, Key Mgt, TCWG
- Competence of Team
- Compliance with ethical requirement
- Significant matters during current & previous engagement

If after acceptance EP obtains info that would have caused declining assignment

inform firm promptly to take appropriate action.

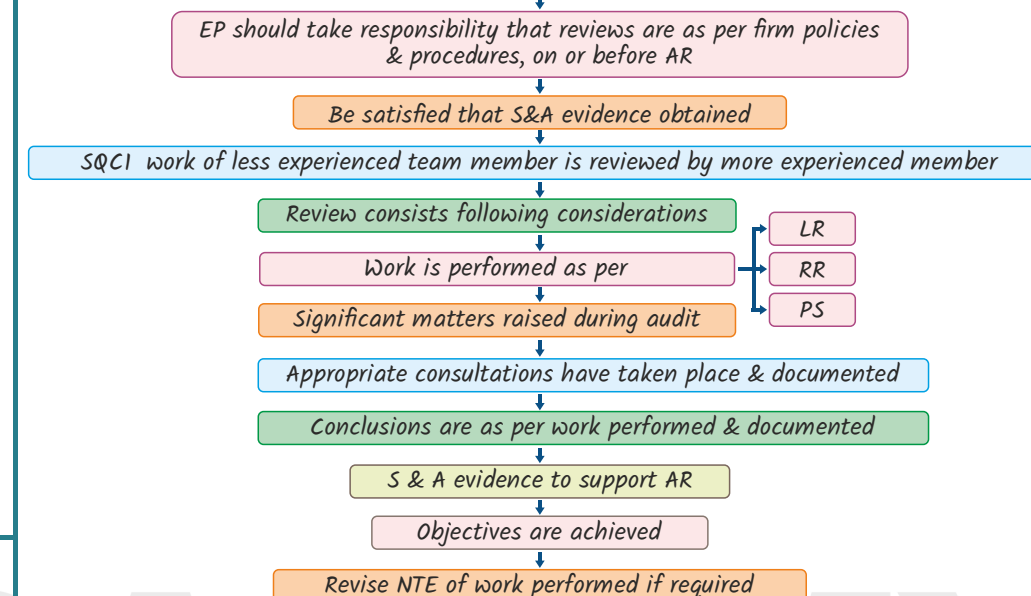
5

ENGAGEMENT PERFORMANCE

EP Shall Take Responsibility for

- Direction
- Supervision
- Consultation
- Review
- Managing Diff of Opinion

SA REVIEWS

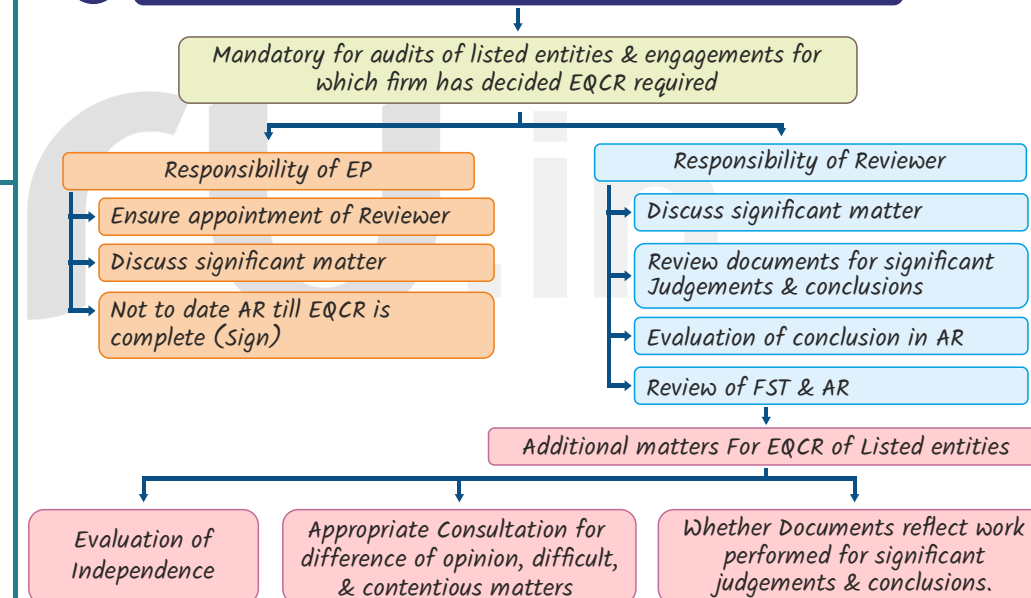


SB MANAGING DIFFERENCE OF OPINION (DOP)

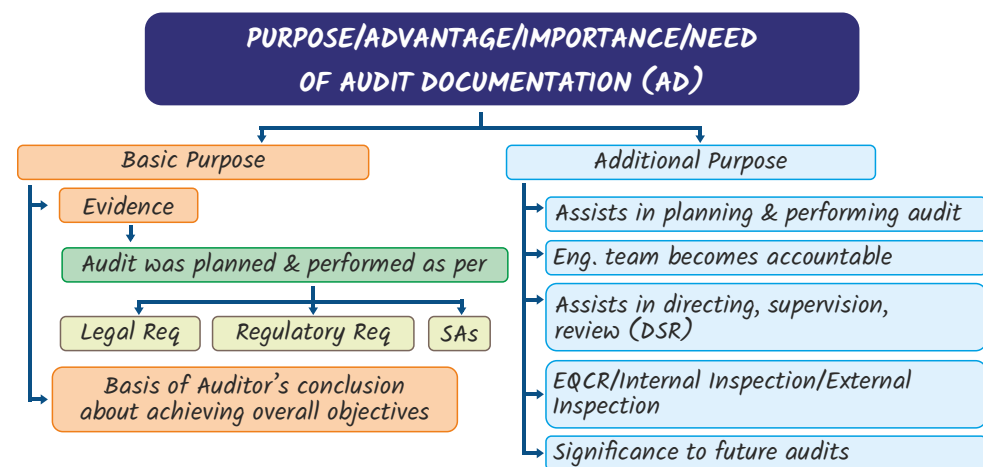
Difference can be between engagement team, consultants, engagement partner, EQCR reviewer

Follow the firm's policies & procedures for dealing with & resolving DOP

SC ENGAGEMENT QUALITY CONTROL REVIEW (EQCR)

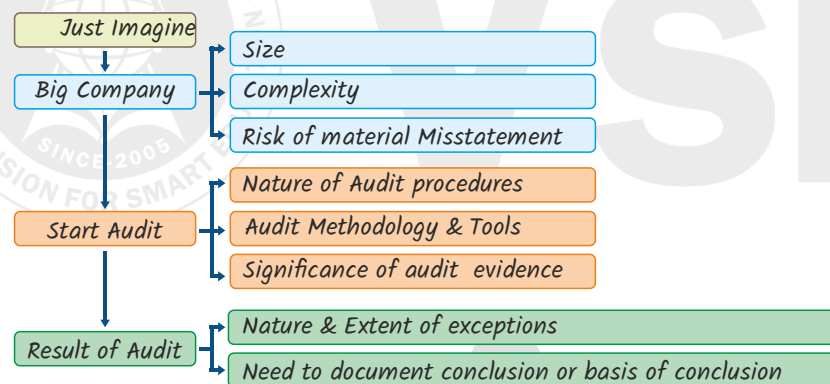


SA 230



CNO--SA230.040

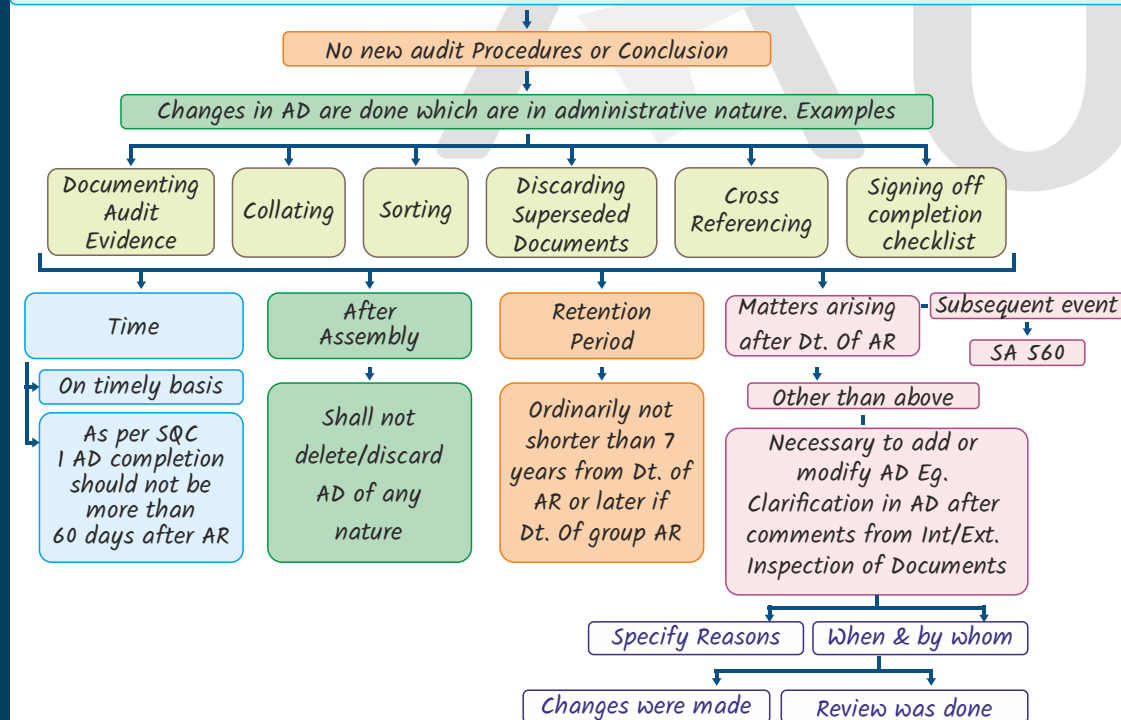
FACTORS AFFECTING FORM, CONTENT & EXTENT OF AUDIT



CNO--SA230,060

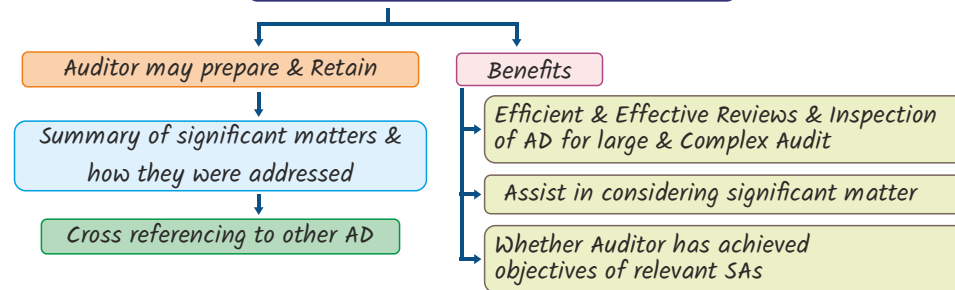
ASSEMBLY OF AUDIT FILE

Performed after dt. of AR – Administrative Process (AP) [Not main audit work, it is supporting activity]



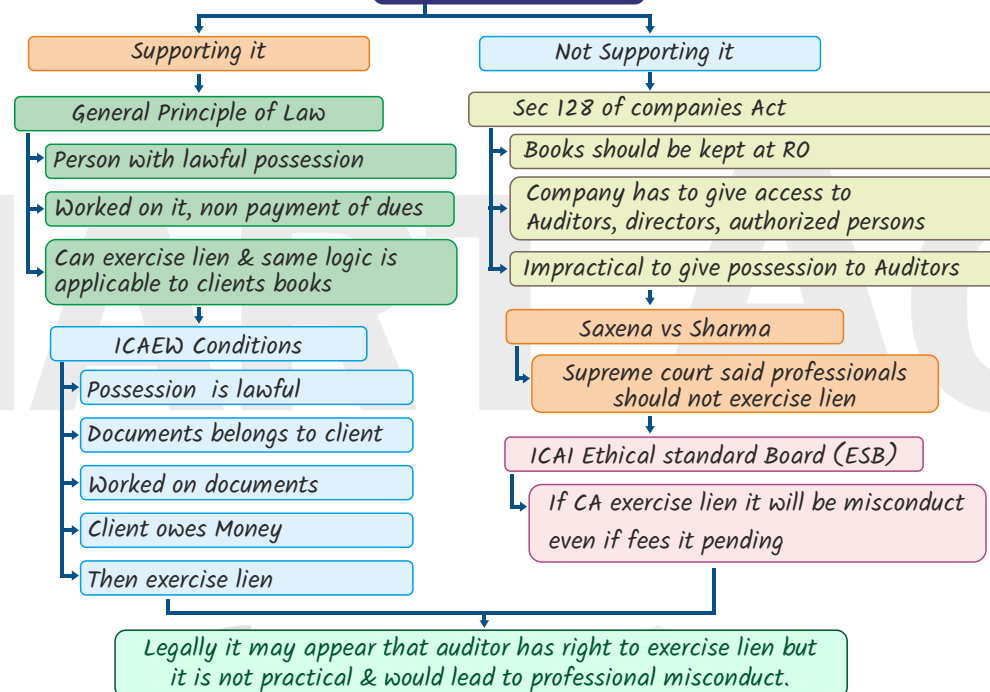
***Note- Superseded documents means notes that reflect preliminary or incomplete thinking, previous year document with typographical or other errors, duplicate documents or draft working papers or financial statements which are no longer required because we have a final version of those

COMPLETION MEMORANDUM



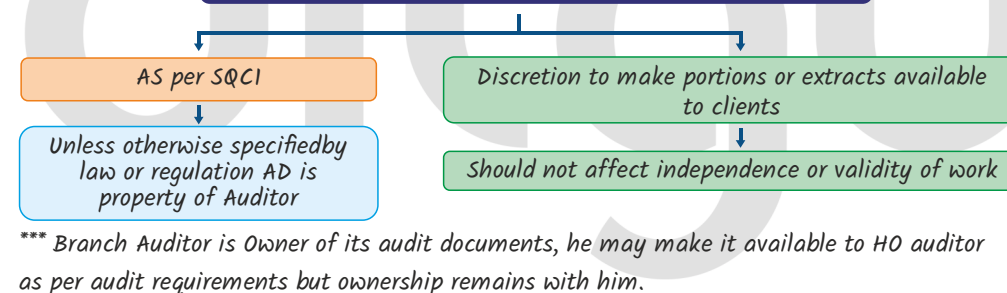
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RIGHT TO LIEN



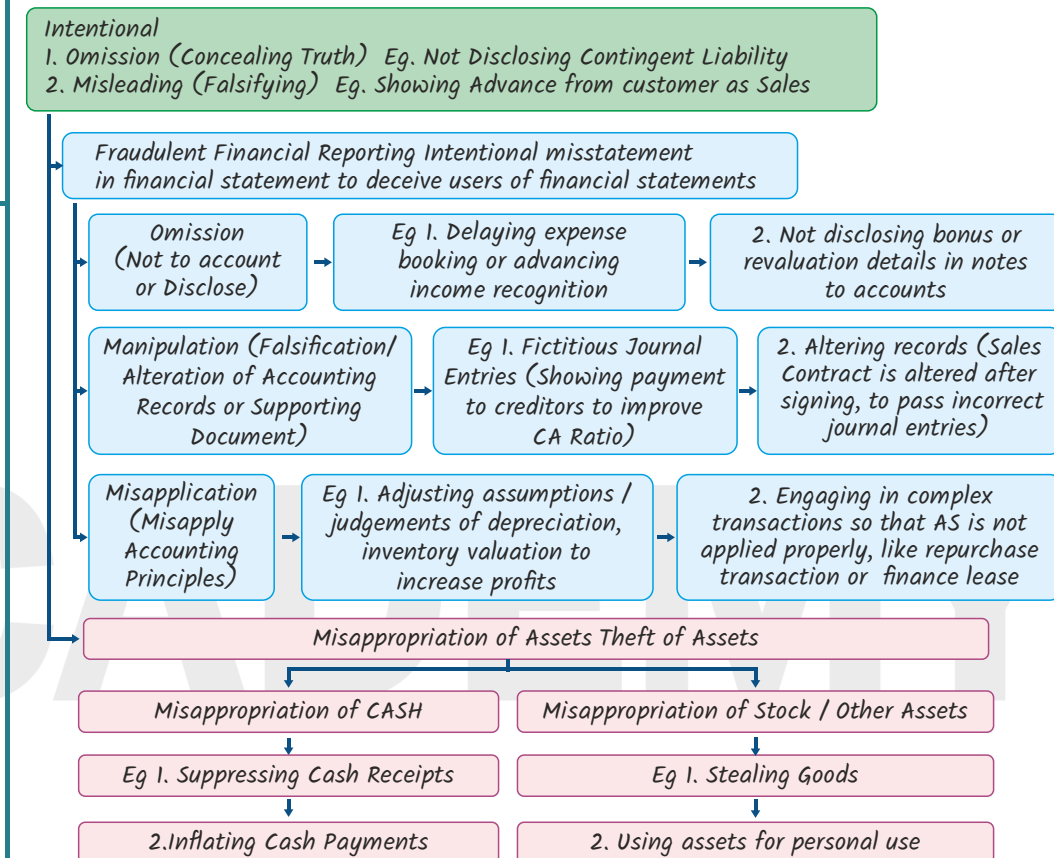
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OWNERSHIP OF AUDIT DOCUMENTATION



SA 240

FRAUD MEANS



FRAUD RISK FACTORS

Events or Conditions that increase chances that fraud can happen in the form of Pressure / Incentive or Attitude / Rationalisation or Opportunity

Fraudulent Financial Reporting

Pressure / Incentive

Pressure is created because of financial stability or profitability is threatened by following factors:
(In sequence of importance)

LAW- New statutory or regulatory requirement
Market - High degree of market saturation or competition
Business - Increase in business failure
Customer - Significant decline in customer demand
Accounting - New accounting requirements
Operating losses - Threatening bankruptcy foreclosure or hostile takeover
Cashflow - Recurring negative cashflow or inability to generate cashflow though there is earning or growth in earning

Attitude / Rationalisation

Following attitude related matters may suggest inappropriate ethical values or standards communicated or enforced

(Shortcut- HIT Require Nerdy Friends)

H - History of violation of security or other laws
I - Excessive Interest by management in increasing or maintaining earning strength or inventory price
T - For tax motivated reasons using inappropriate means to minimize earnings
R - Relationship between management & auditor is strained & exhibited by following
(Shortcut- DR- DU)
D - Frequent disputes /
R - Restriction on auditor /
D - Domineering management /
U - Unreasonable demands on auditor
N - Not distinguishing between personal & business transaction
F - Failing to rectify significant deficiency

Opportunity

Opportunity may be created for FFR because of following:

(Shortcut - opportunity hai TU DRS le)

T - Tax haven jurisdiction are having subsidiary / branch / significant bank a/c without any business justification
U - Unusual or highly complex significant transaction having difficult "substance over form" question
D - Ability to dominate or strong financial presence in certain industry which allows to dictate terms or condition to supply or customers
R - Significant related party transaction not in ordinary course of business or where related party not audited
S - Significant estimates affecting assets, liability, revenue & expenses

Misappropriation of Assets

Pressure / Incentive

Following circumstances create pressure for misappropriation

- Personal financial obligations
- Adverse relationship between entity & employees who have access to assets
- Adverse relationship may occur because of following - known or anticipated layoffs / recent or anticipated changes to employee compensation / promotion / compensation not as per expectation & expenses already incurred or committed

Opportunity

Following may create opportunity for misappropriation
Characteristic of assets or circumstances increasing susceptibility (chances) of misappropriation

- Fixed assets which are small / marketable / no identification mark
- Easily convertible bonds / computer chips / diamonds
- Inventory items small in size & high in value or high in demand
- Large cash in hand

Inadequate internal control because of following

- Inadequate physical safeguards
- Inadequate segregation of duties
- Inadequate system of authorization
- Inadequate records of transaction or assets
- Inadequate access control over important records
- Lack of timely reconciliation of assets
- Inadequate oversight of senior management over expenditure
- Inadequate management understanding of IT systems
- Lack of mandatory vacation for employees

Attitude / Rationalisation

Careless attitude evident from following increasing chances of misappropriation

- Not taking steps to reduce risks of misappropriation
- Overriding existing control over misappropriation
- No rectification of significant deficiency in internal control
- No monitoring of controls over misappropriation
- Tolerance of petty theft

CIRCUMSTANCES THAT INDICATES POSSIBILITY OF FRAUD

- Discrepancies in accounting system & records
- Conflicting or missing evidence
- Problematic or unusual relationship between auditor & management

1. Discrepancies in accounting system & records

- Access to system & record inconsistency with necessary
- Unauthorised or Unsupported transaction balances
- Transactions - Not recorded in complete or timely manner - Improperly recorded
- Last minutes adjustments having significant effect
- Tips or complaint about Fraud

2. Conflicting or Missing Evidence

Missing Evidence

- System development & program change testing & implementation documents unavailable
- Documents in original form (Only photocopies or electronic records available)
- Missing electronic evidence
- Missing cancelled cheques
- Missing other important Documents

Conflicting Evidence

Any Area

Shortcut - Unusual MICA

- Unusual changes in B/s. trend, Ratios, Relationships
- Mismatch between confirmation & records
- Inconsistent, vague, or implausible responses of analytical procedures
- Fewer responses to Confirmation
- Documents appears Altered

Specific Area

(Inventory)

- Missing Inventory or physical assets
- Unexplained items on reconciliation

(Account Receivable)

- Large credit entries & other adjustments

- Difference between sub-ledger & control A/c or Customer statements

3. Problematic or unusual relationship between auditor & management

Time

- Unusual delays in providing info
- Undue time pressure imposed by Mgt.

Denial

- To meet people or meet in private TCWG/ System Development staff/ Key IT Operations/ Security staff/ Employees/ vendors/ customer
- To access records electronic files for CAAT

Management

- Complaints by Mgt.
- Unwillingness to address internal control deficiencies or revise disclosures

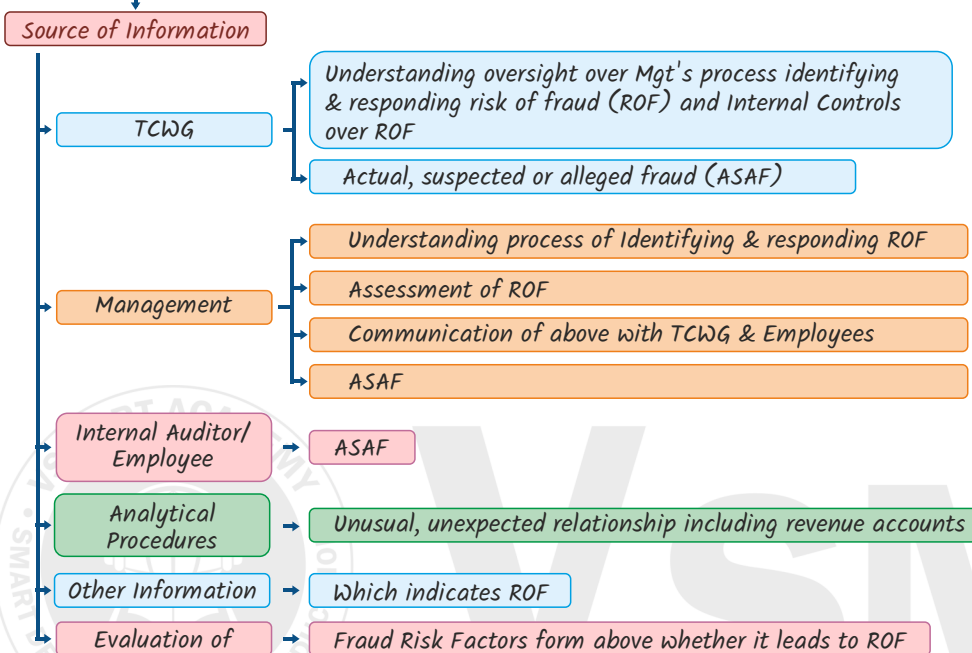
Other

- A/c policy varies as compared to industry
- Frequent changes in estimates not from chg. Circumstances

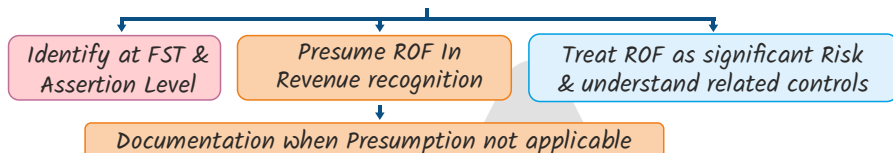


RISK ASSESSMENT PROCEDURES FOR FRAUD (COLLECTING INFO TO IDENTIFY RISK DUE TO FRAUD)

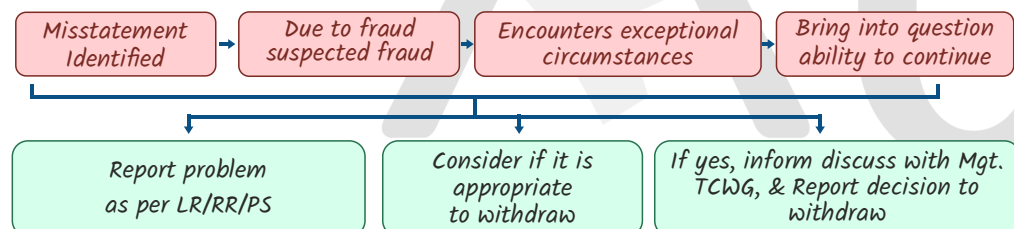
While performing risk assessment as per SA 315, obtain information for RMM due to fraud



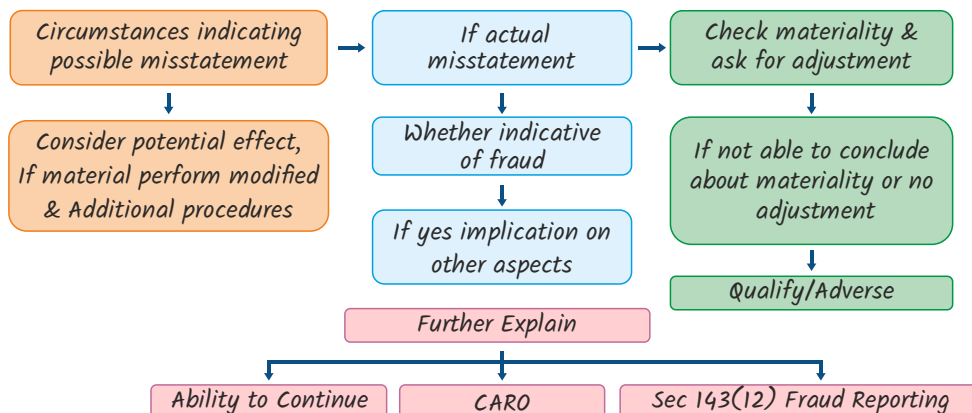
IDENTIFICATION & ASSESSMENT OF FRAUD RISK



SITUATION AUDITOR UNABLE TO CONTINUE ENGAGEMENT DUE TO FRAUD

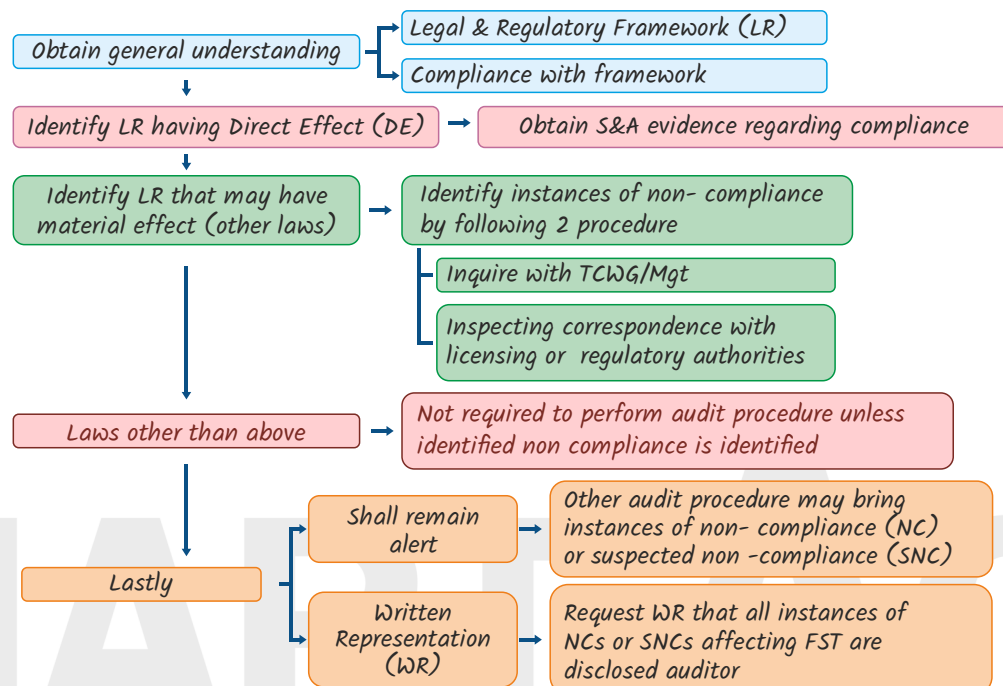


CASE STUDY ON ACTUAL OR SUSPECTED FRAUD (ICAI ANSWER)

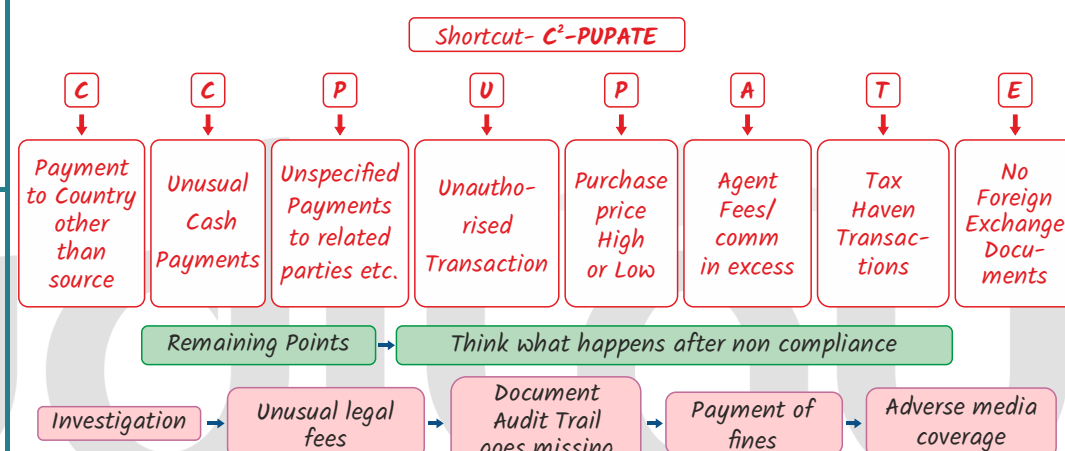


SA 250

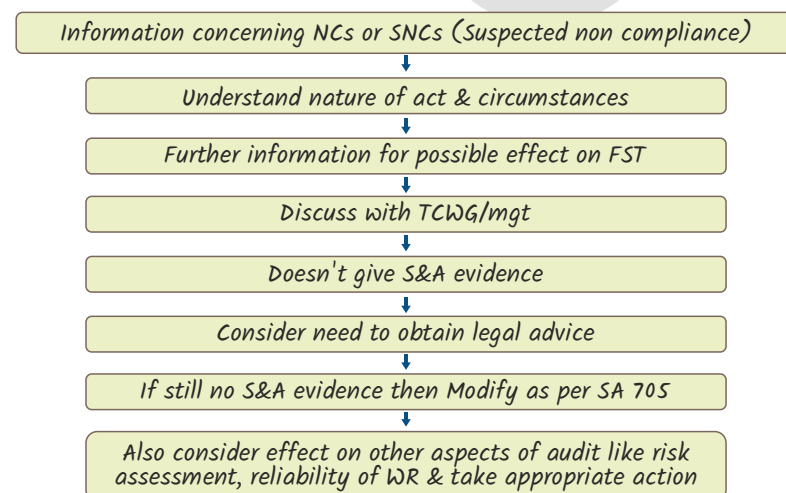
RESPONSIBILITY OF AUDITOR W.R.T. VARIOUS LAW APPLICABLE



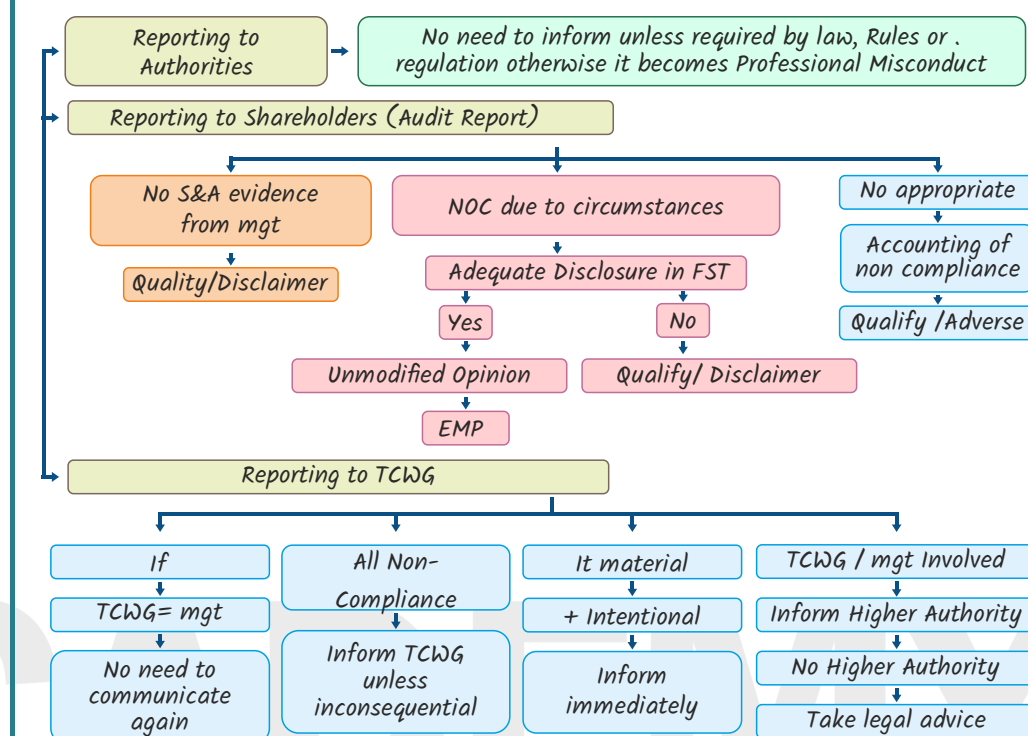
INDICATORS OF NON-COMPLIANCE



AUDIT PROCEDURE FOR NON-COMPLIANCE (NC)



REPORTING (IN SEQUENCE OF IMPORTANCE)

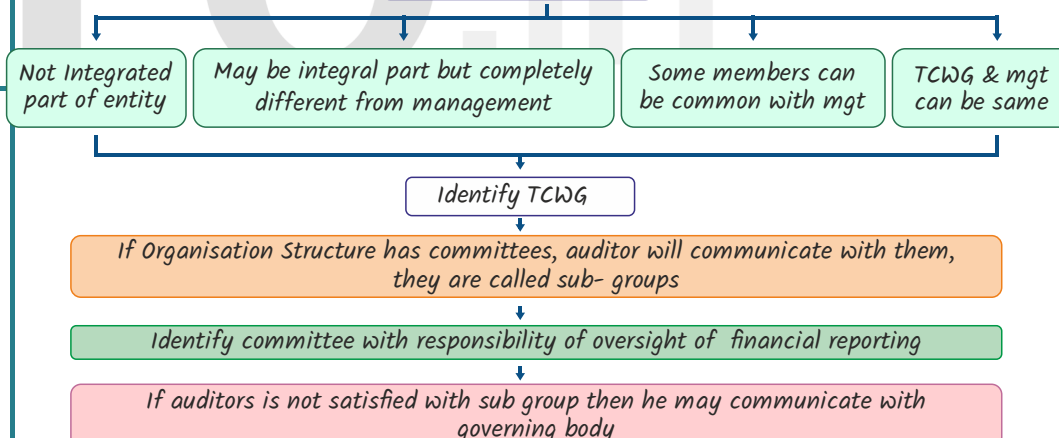


SA 260

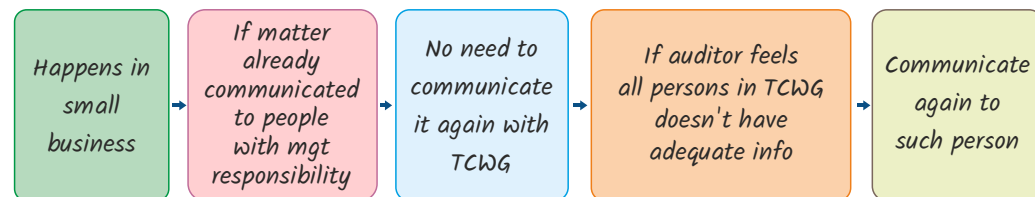
TCWG V/S MANAGEMENT



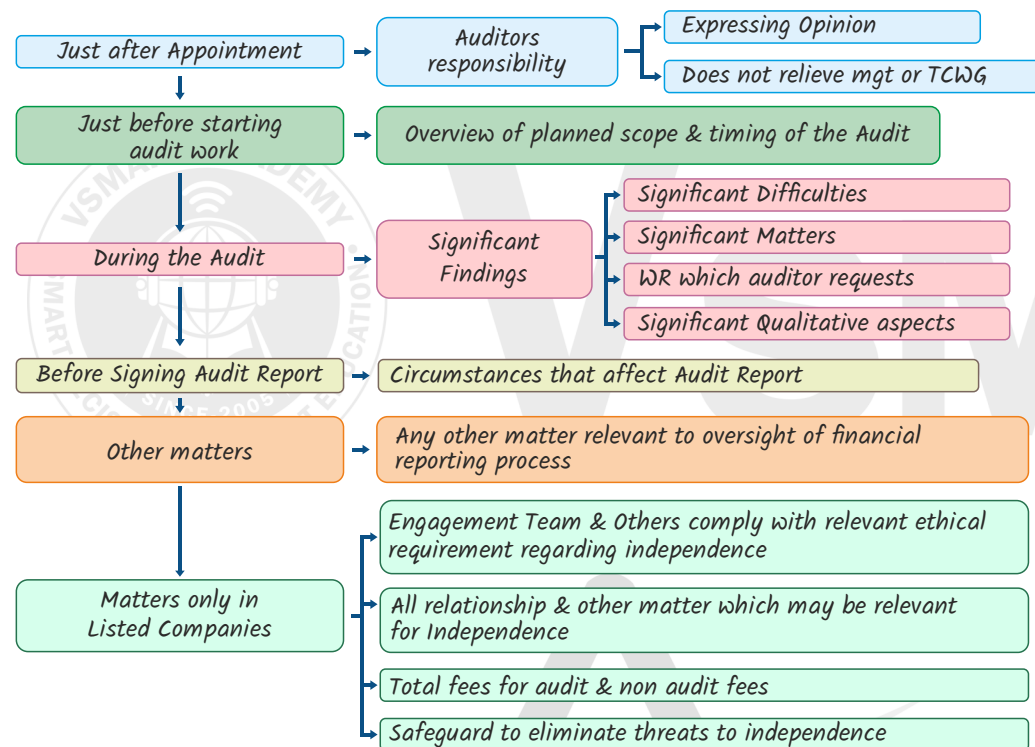
TYPES OF TCWG



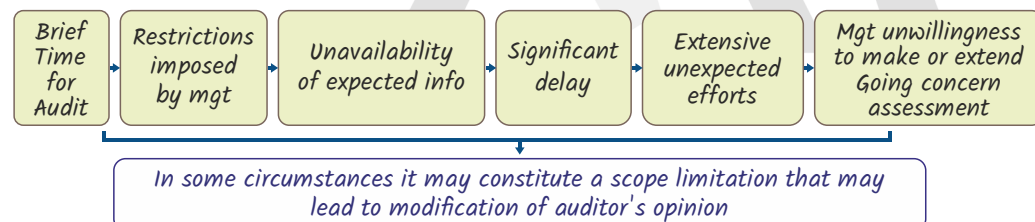
WHEN TCWG = MANAGEMENT



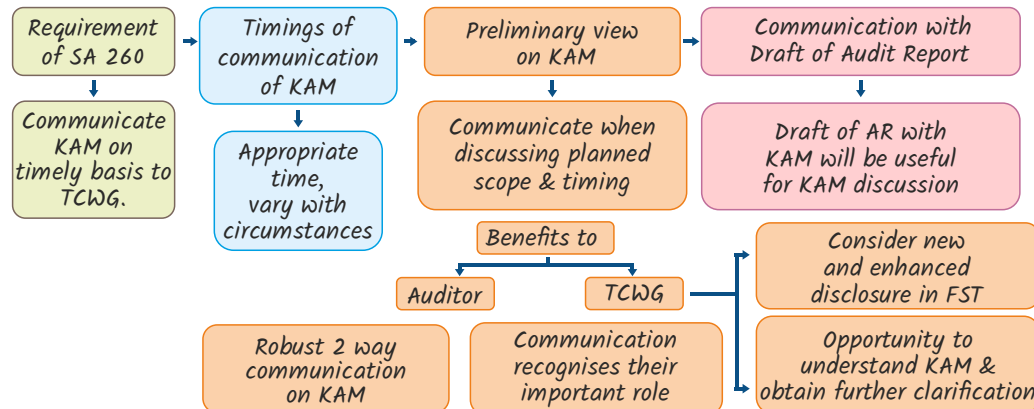
MATTERS TO BE COMMUNICATED TO TCWG (IN SEQUENCE OF AUDIT PROCESS)



SIGNIFICANT DIFFICULTIES (IN SEQUENCE OF AUDIT PROCESS)

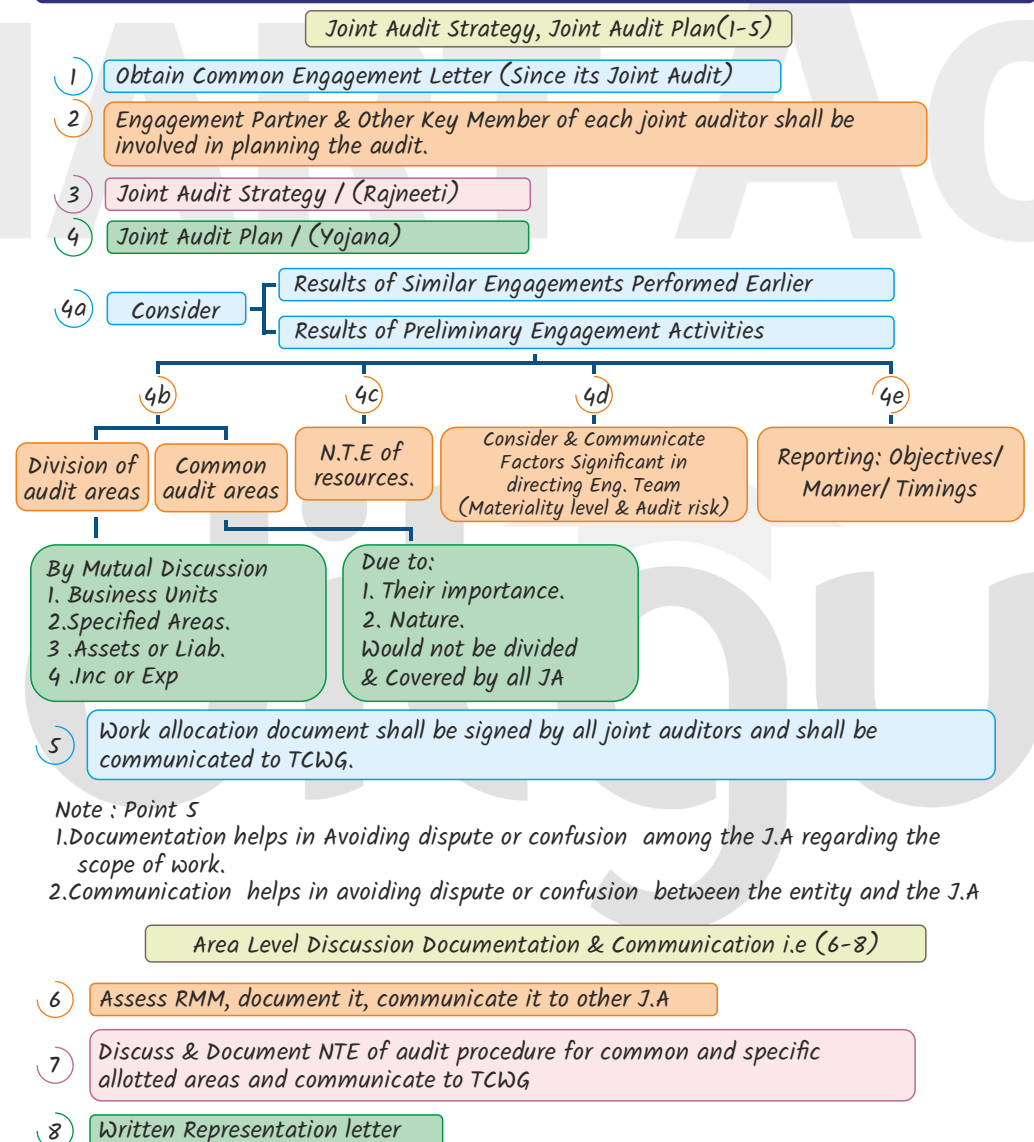


COMMUNICATION RELATED TO KAM

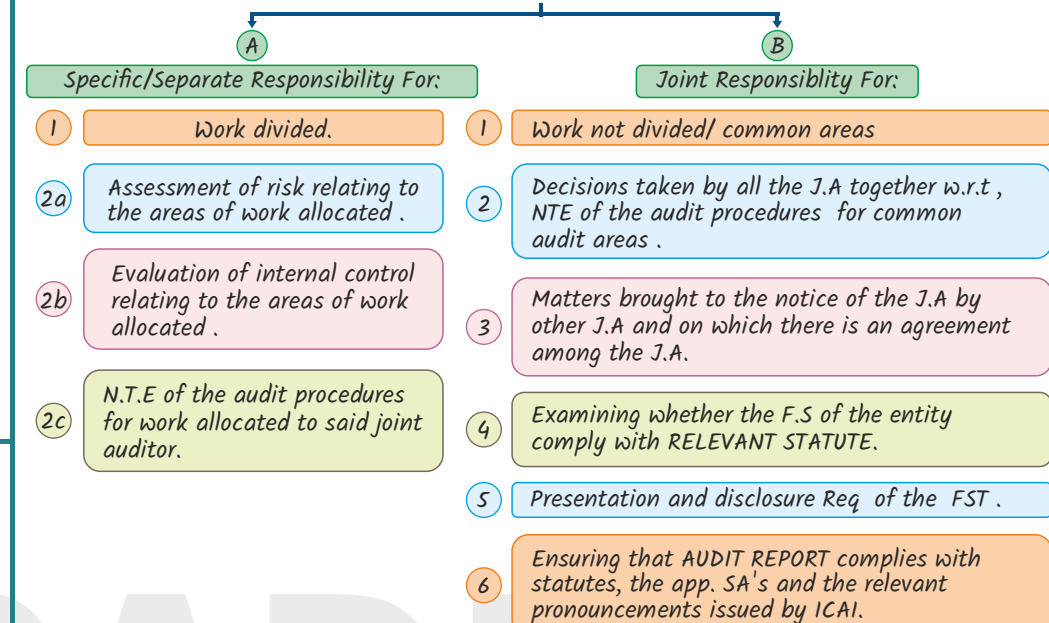


SA 299

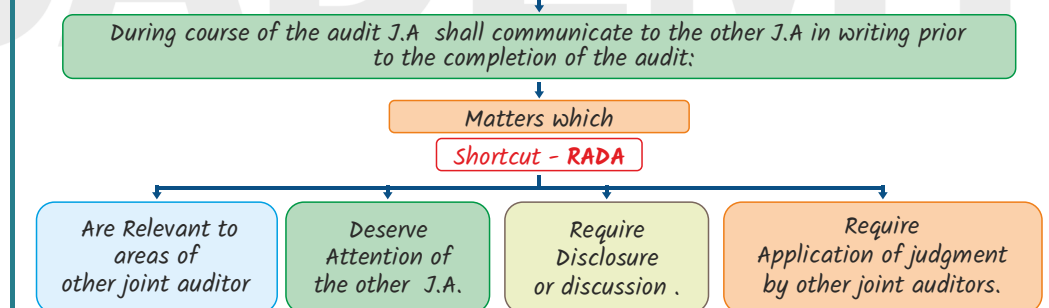
AUDIT PLANNING, RISK ASSESSMENT AND ALLOCATION OF WORK



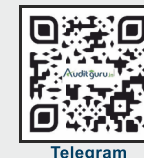
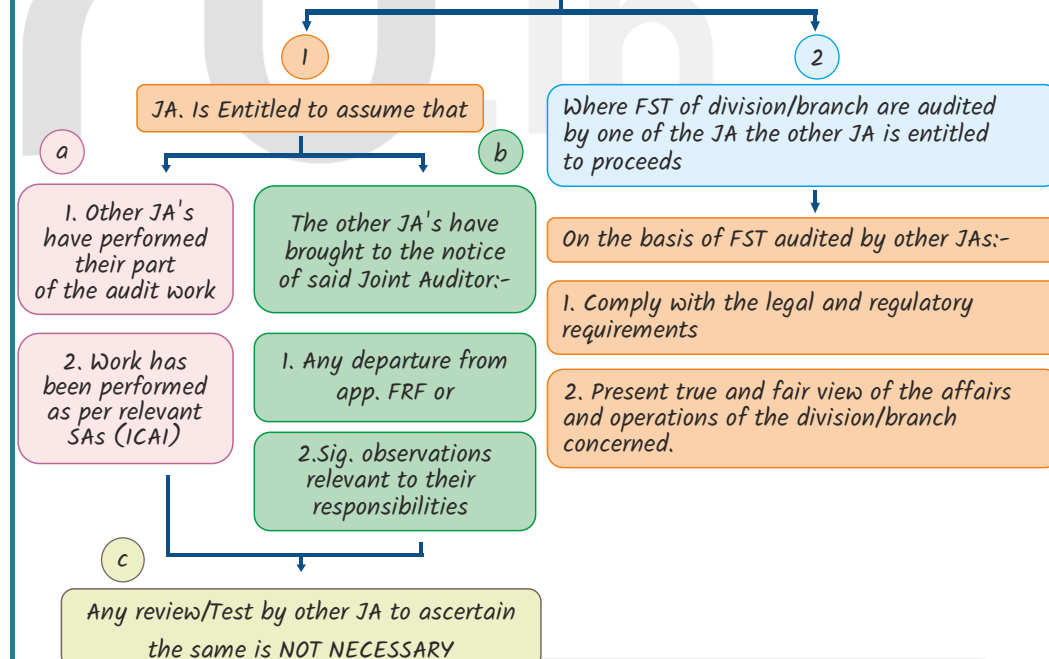
RESPONSIBILITY

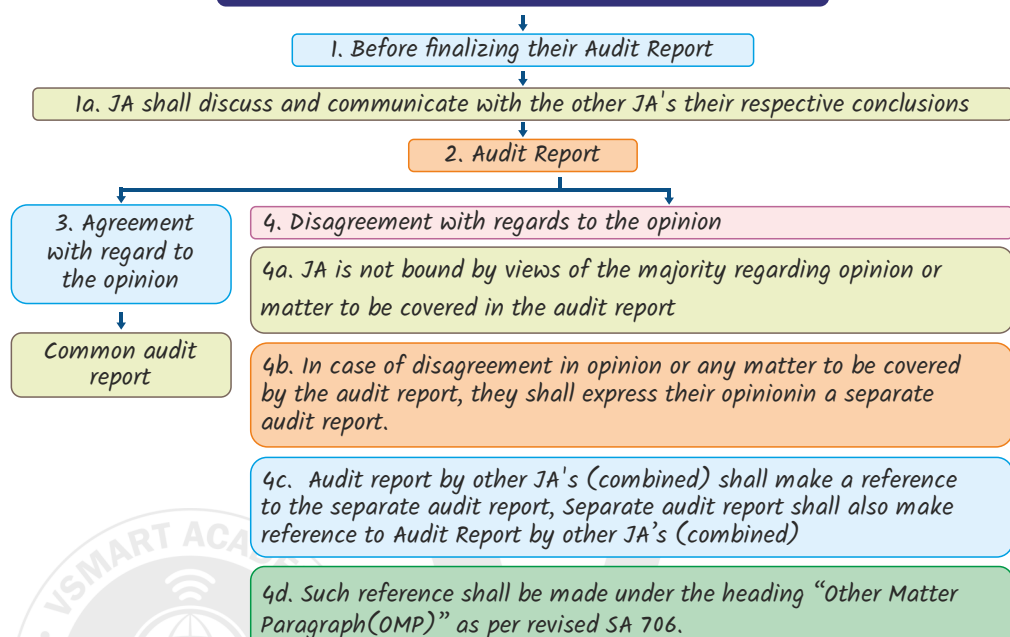


CO-ORDINATION



RELIANCE ON OTHER JOINT AUDITOR



AUDIT CONCLUSION AND REPORTING**Part 3 -- SA 300 Series****SA 320****BENCHMARKING**

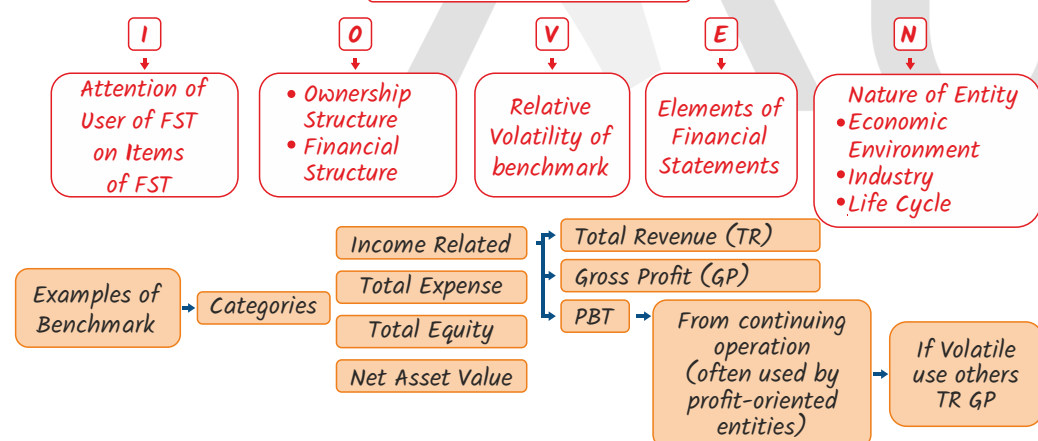
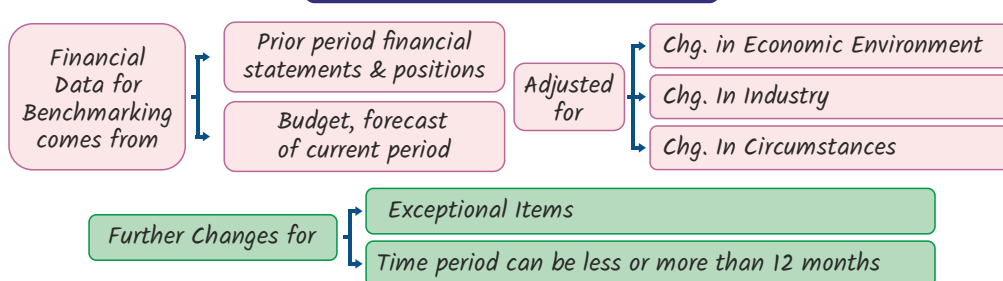
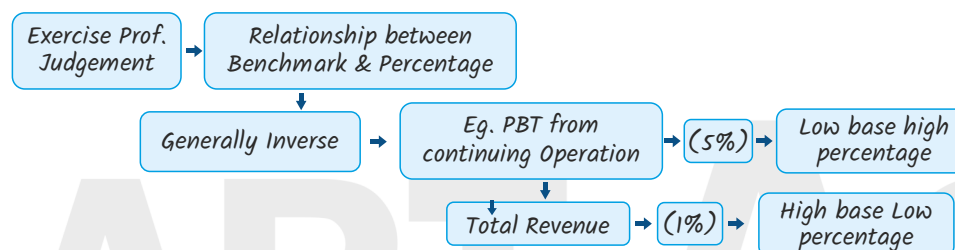
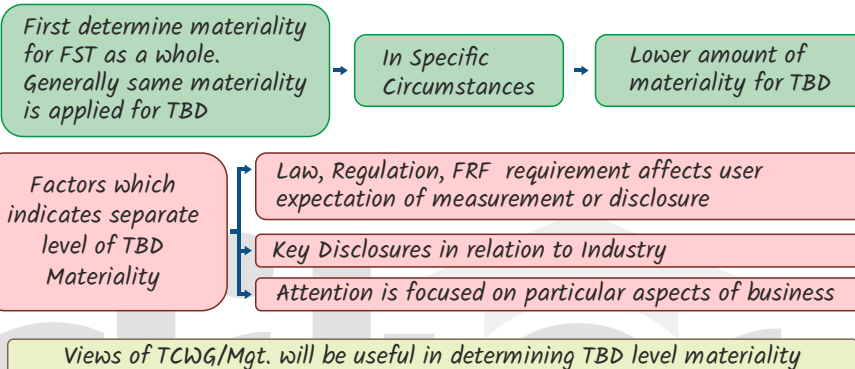
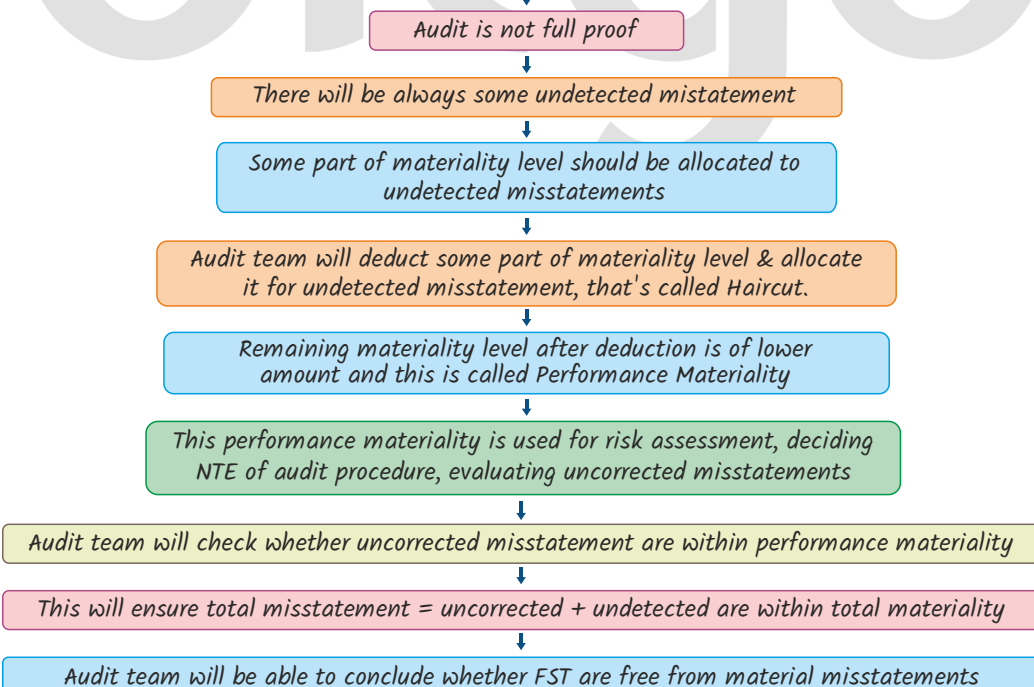
It is a method of computing materiality.

$$\text{Materiality Level} = \text{Benchmark (Base)} \times \text{Percentage}$$

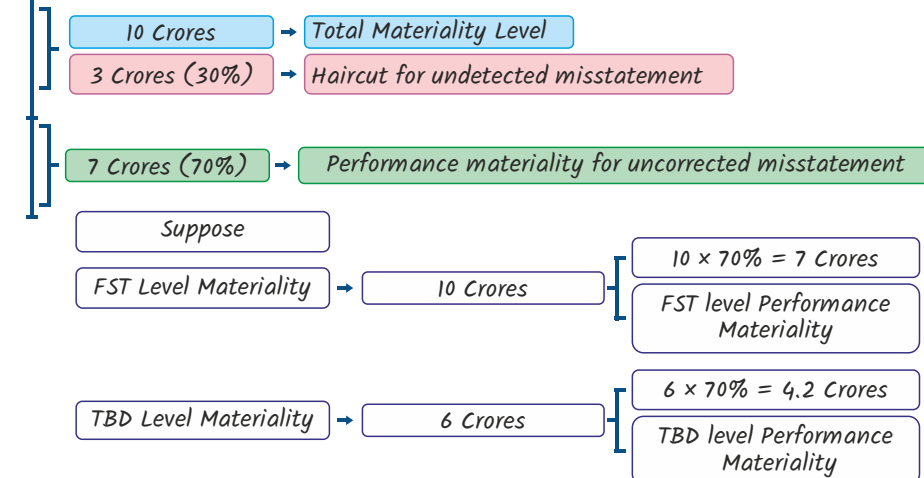
STEP 1 DECIDE BENCHMARK

Decide Benchmark

Factors affecting identification of benchmark

ShortCut :- Items in **OVEN****STEP 2 NORMALIZATION****STEP 3 DETERMINE PERCENTAGE****MATERIALITY FST LEVEL VS TBD LEVEL****PERFORMANCE MATERIALITY**

Continue on next column...

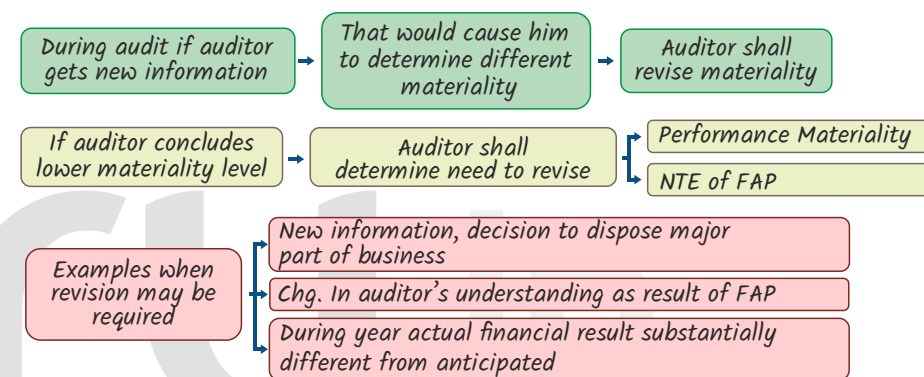
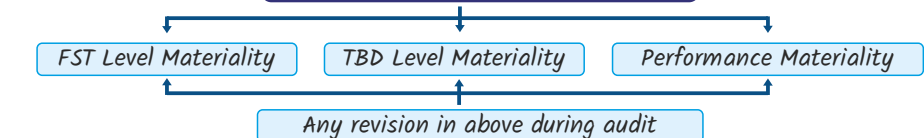
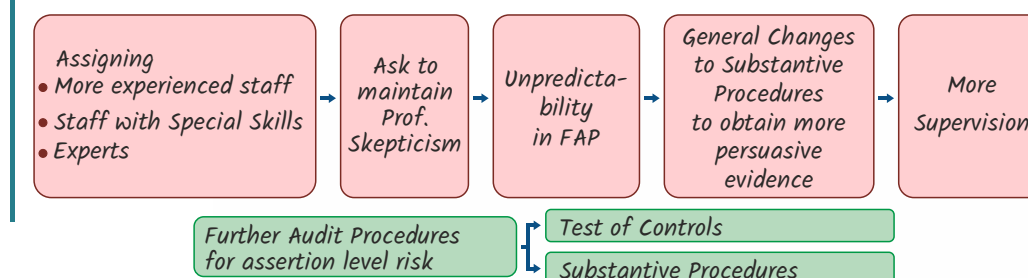
EXAMPLE**RELATIONSHIP BETWEEN TOLERABLE MISSTATEMENT & PERFORMANCE MATERIALITY**

Tolerable level of misstatement is generally same as performance materiality

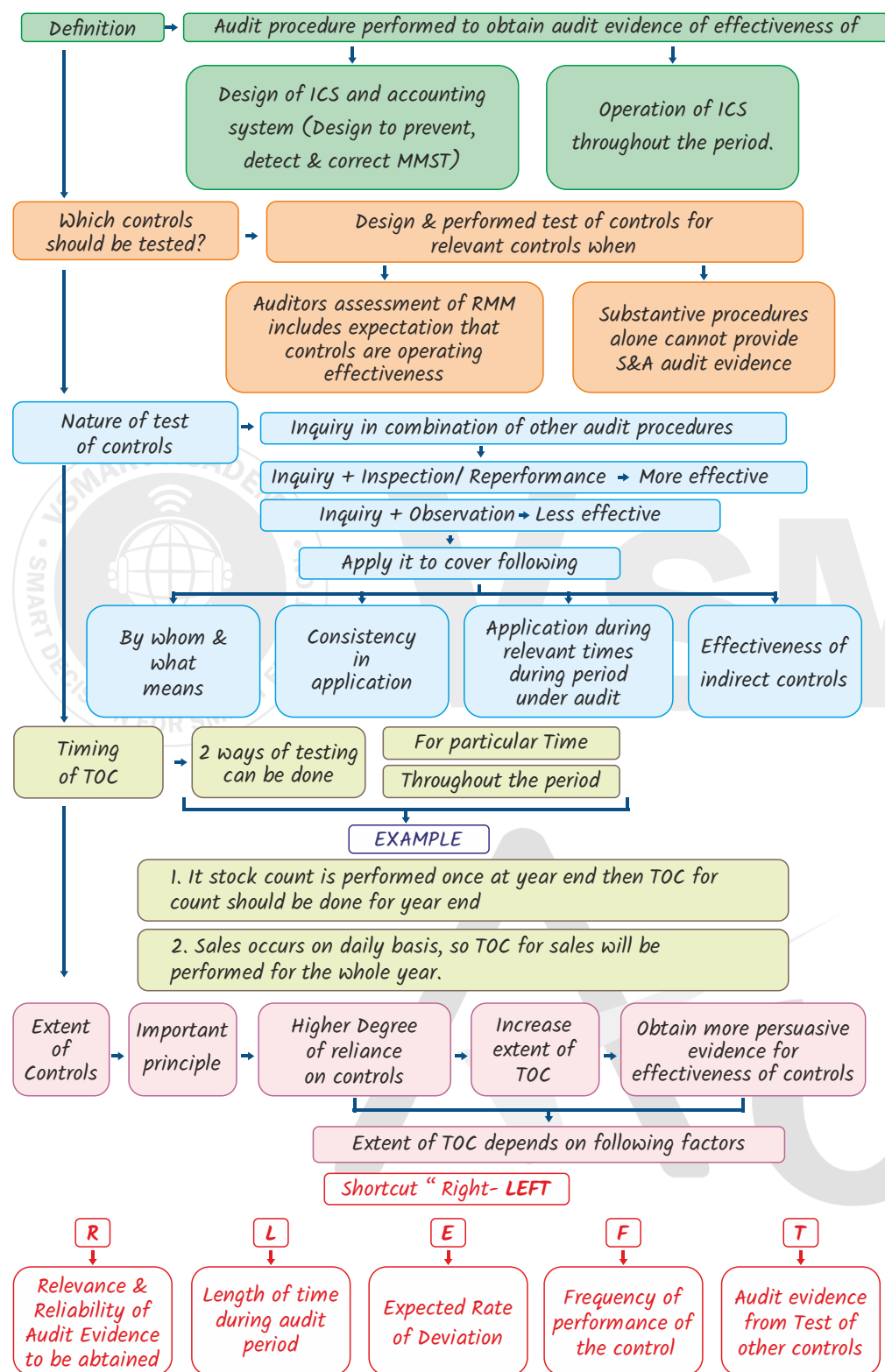
But if we are doing sampling for part of the item

Eg: Only credit sale of last quarter which contributes say 40%

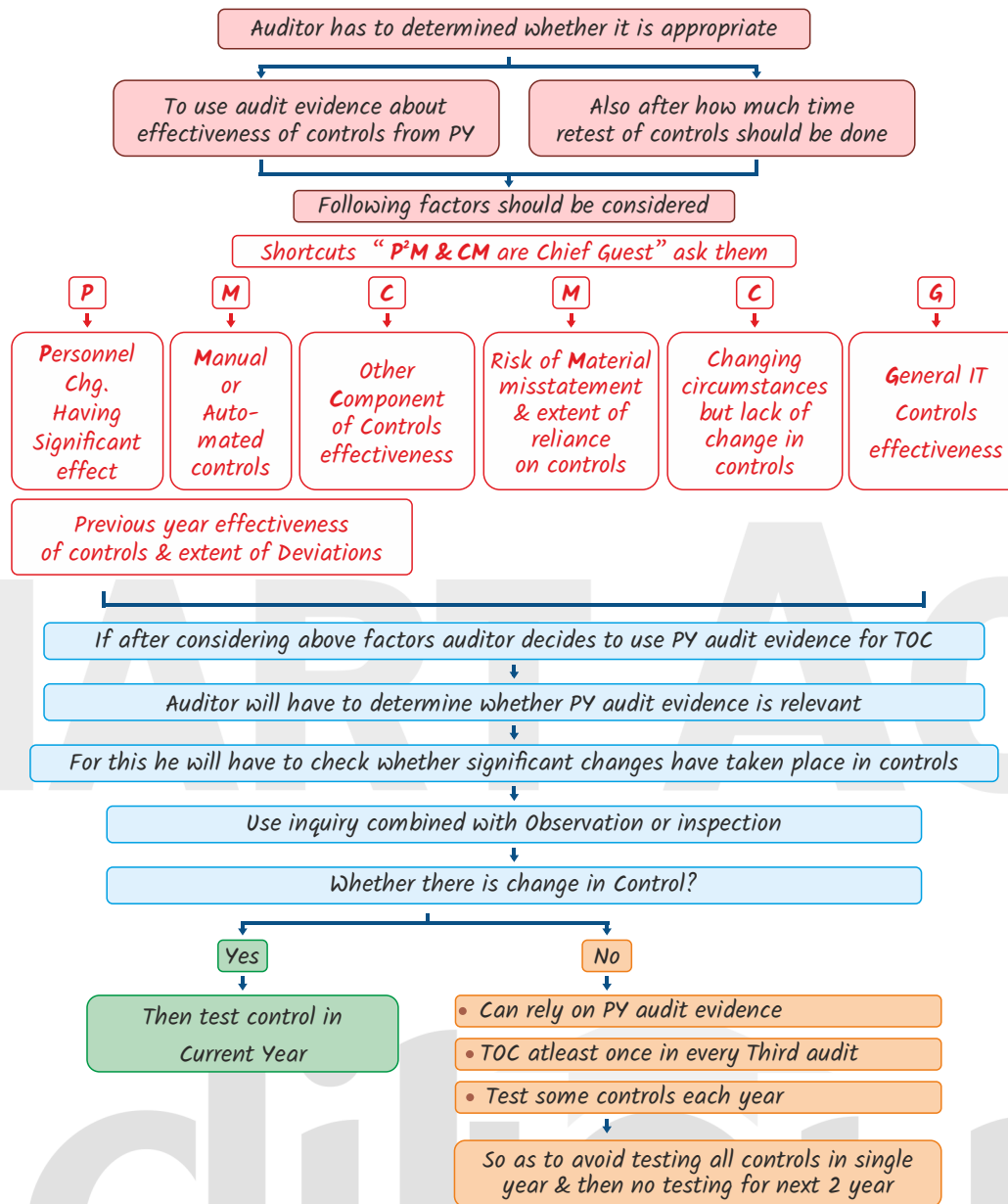
Tolerable level - 40%*PM

REVISION OF MATERIALITY**DOCUMENTATION****SA 330****OVERALL RESPONSE FOR FST LEVEL RISK**

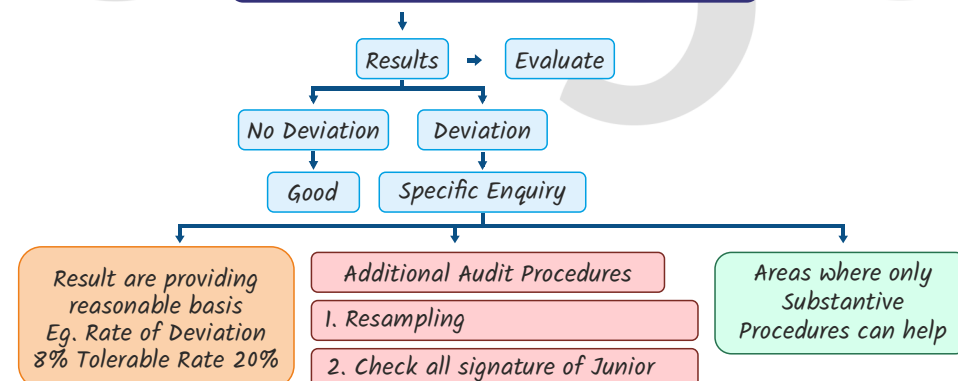
TEST OF CONTROLS (TOC)



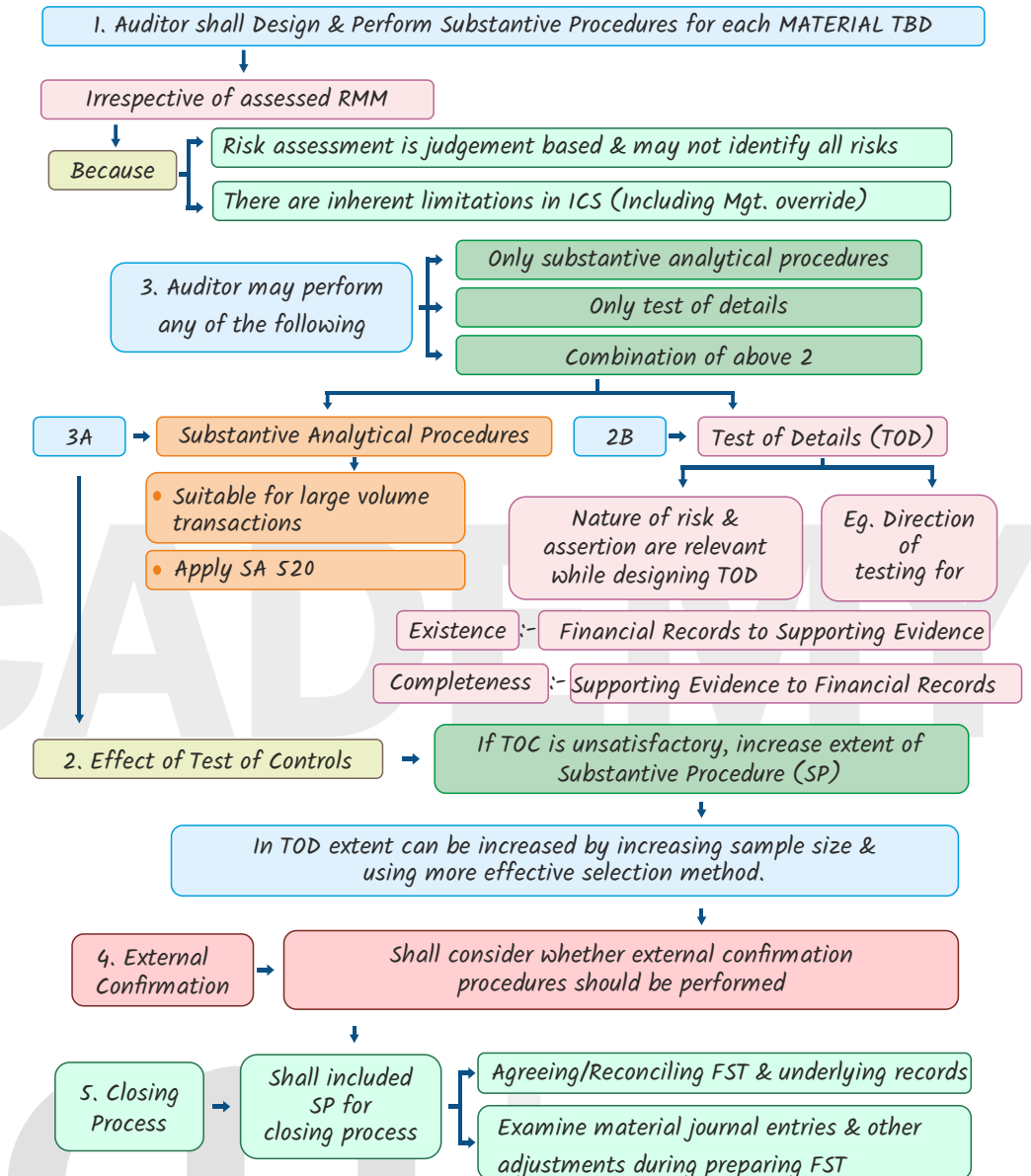
USING AUDIT EVIDENCE OBTAINED IN PREVIOUS YEAR

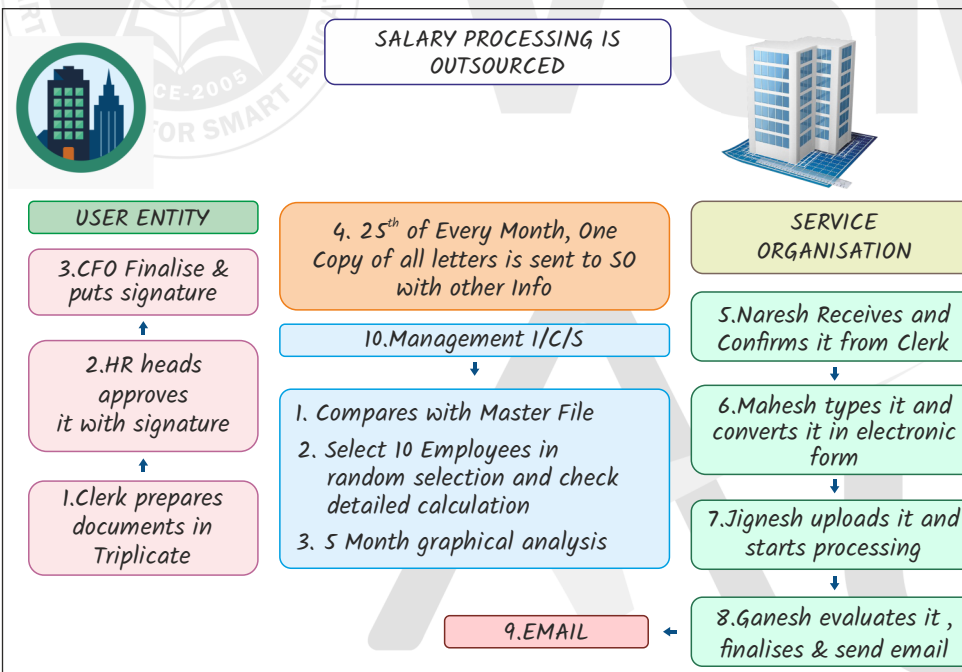
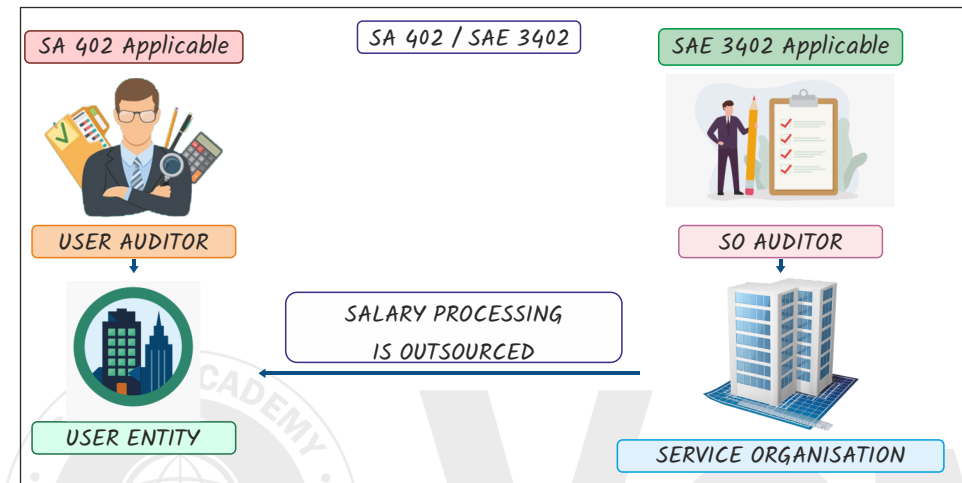


EVALUATING OPERATING EFFECTIVENESS OF CONTROLS



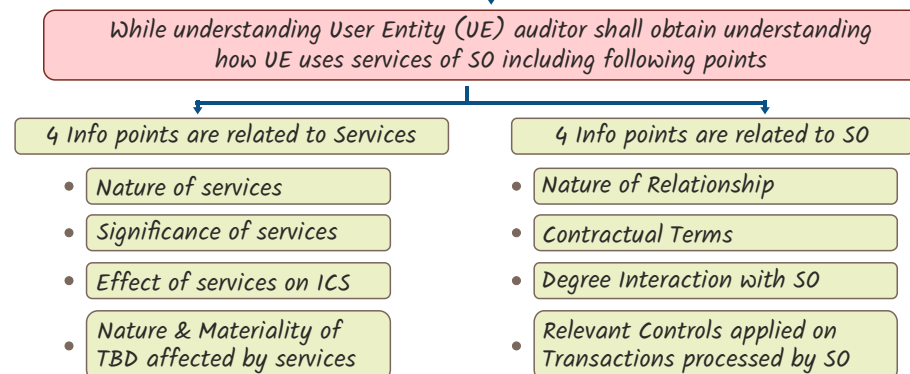
DESIGNING & PERFORMING SUBSTANTIVE PROCEDURES (SP)





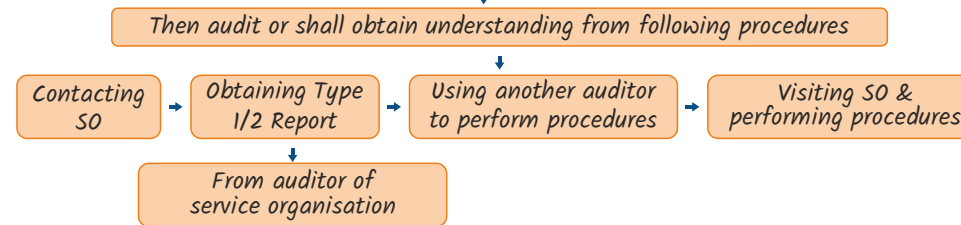
CNO—SA402.020

OBTAINING UNDERSTANDING OF SERVICES PROVIDED BY SERVICE ORGANISATION (SO) INCLUDING ICS



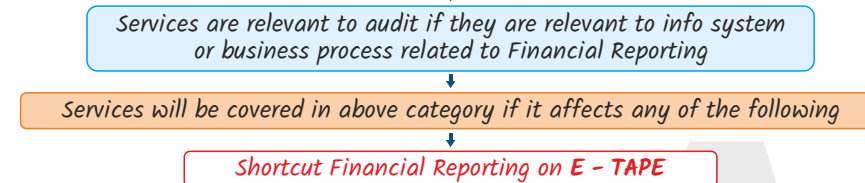
CNO—SA402.040

UNABLE TO OBTAIN SUFFICIENT UNDERSTANDING FROM UE



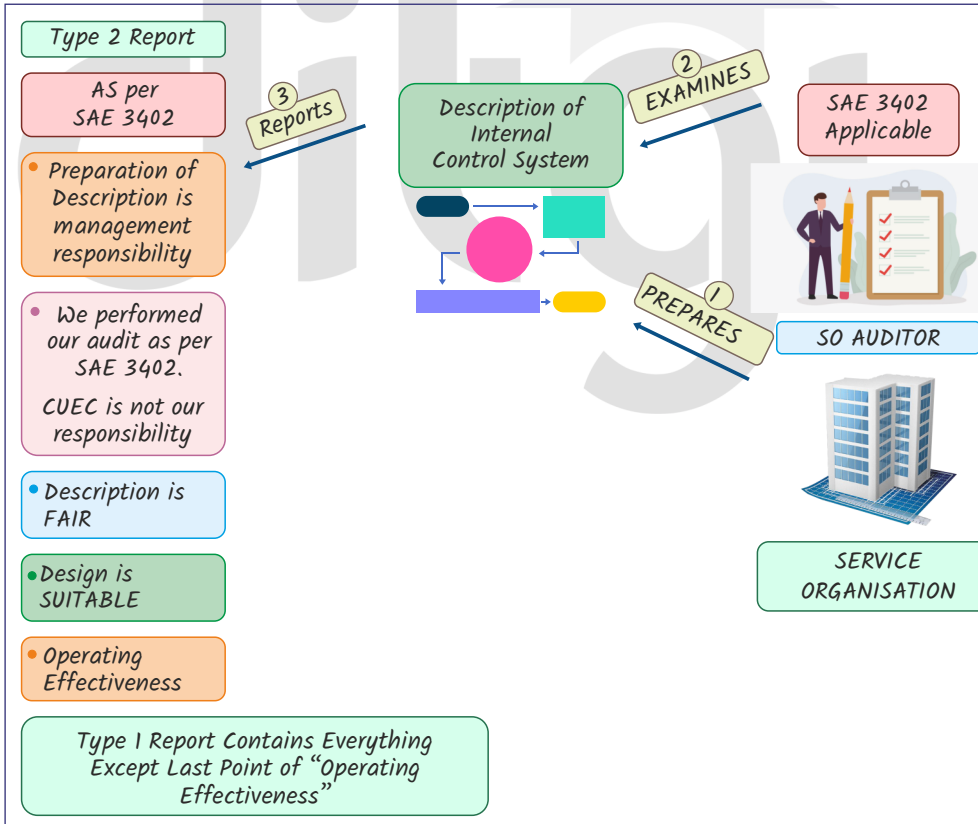
CNO—SA402.060

RELEVANCE OF SERVICES TO FINANCIAL REPORTING



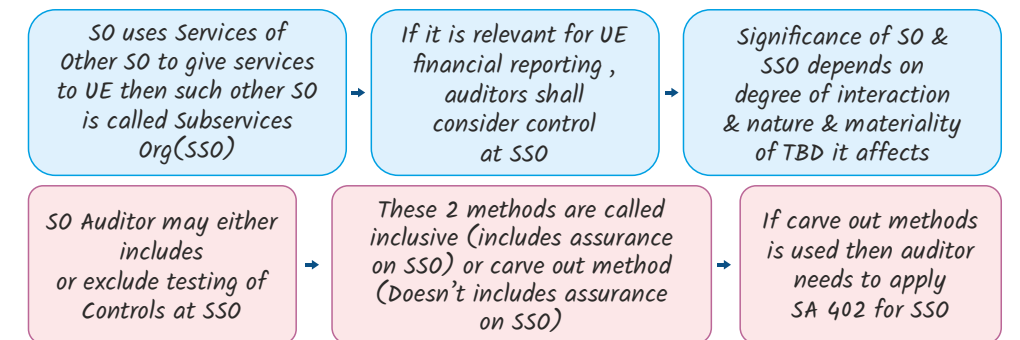
CNO—SA402.080

DEFINITION OF TYPE 1 & TYPE 2 REPORT



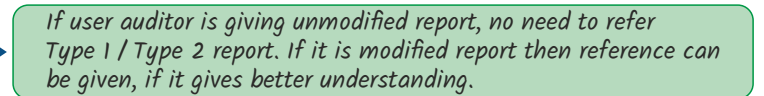
CNO—SA402.100

SUB SERVICE ORGANISATION



CNO—SA402.120

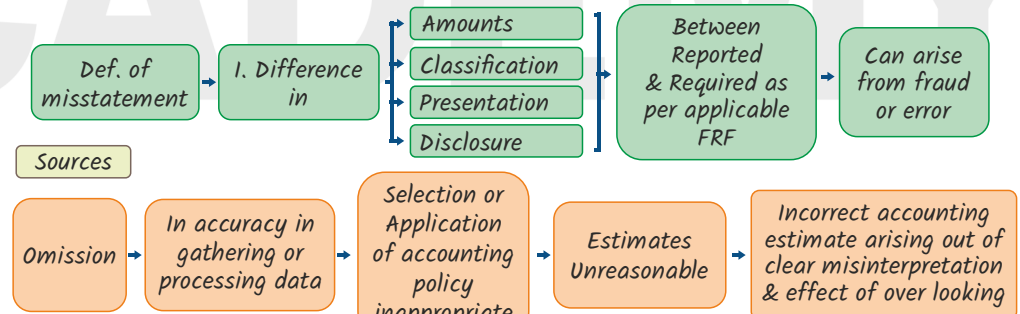
REPORTING



CNO—SA450.020

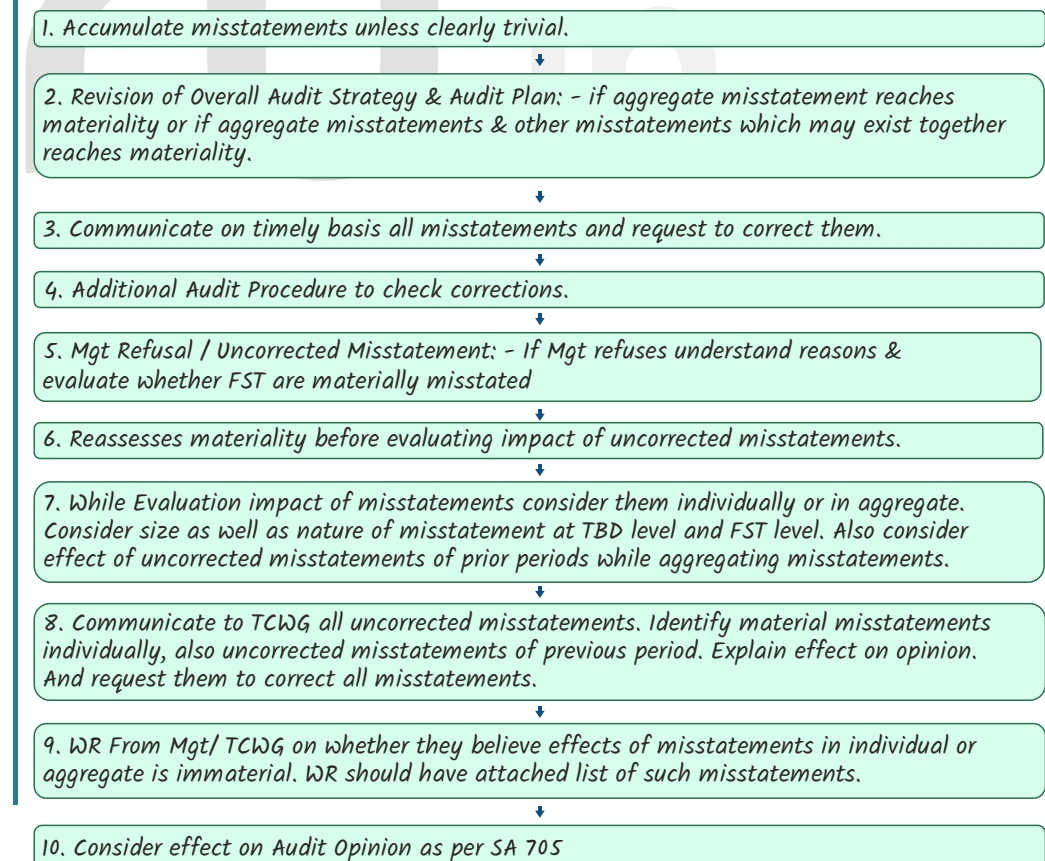
SA 450

MISSTATEMENT & SOURCES

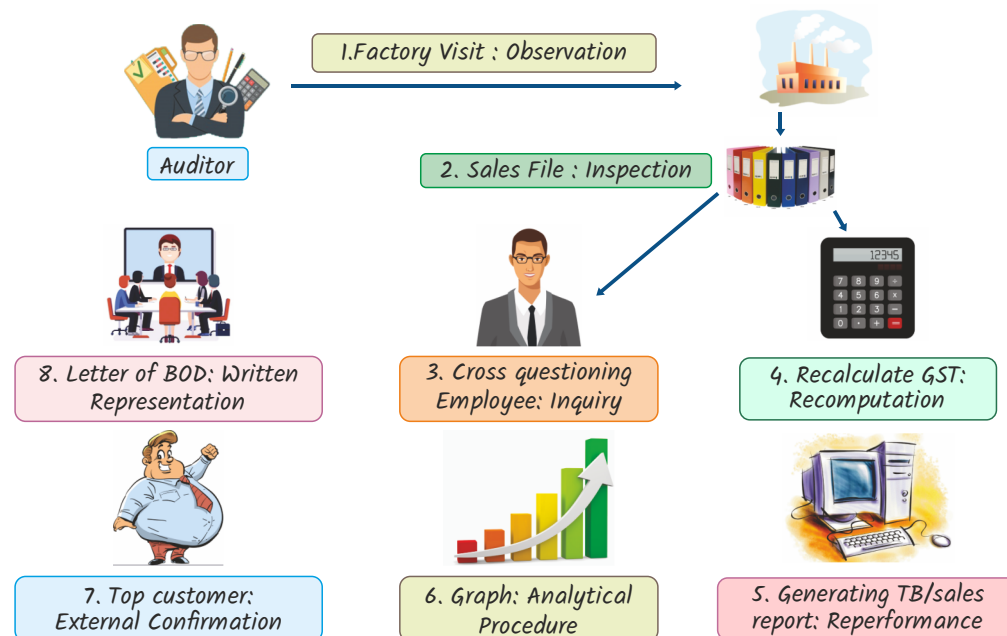


CNO—SA450.040

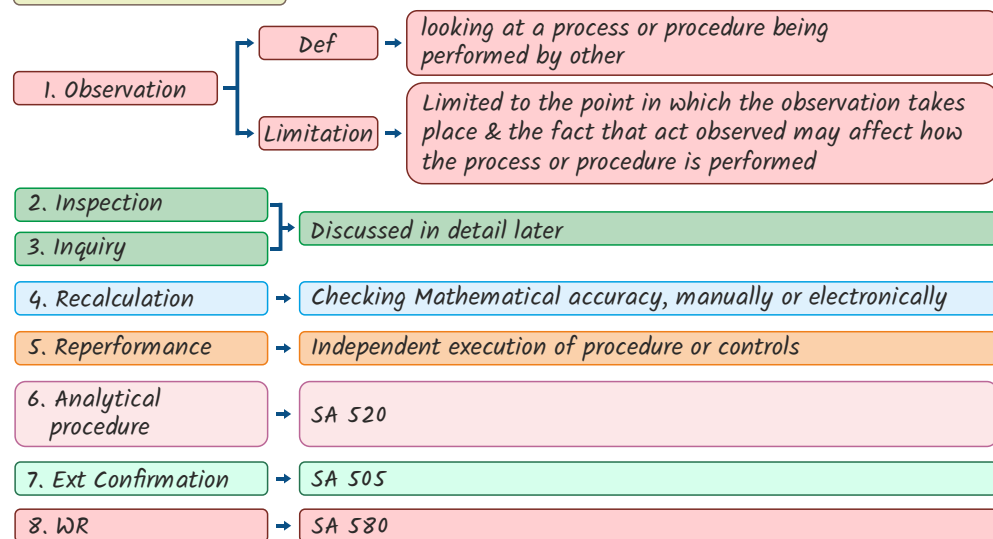
WHAT TO DO WHEN MISSTATEMENT ARE DETECTED?



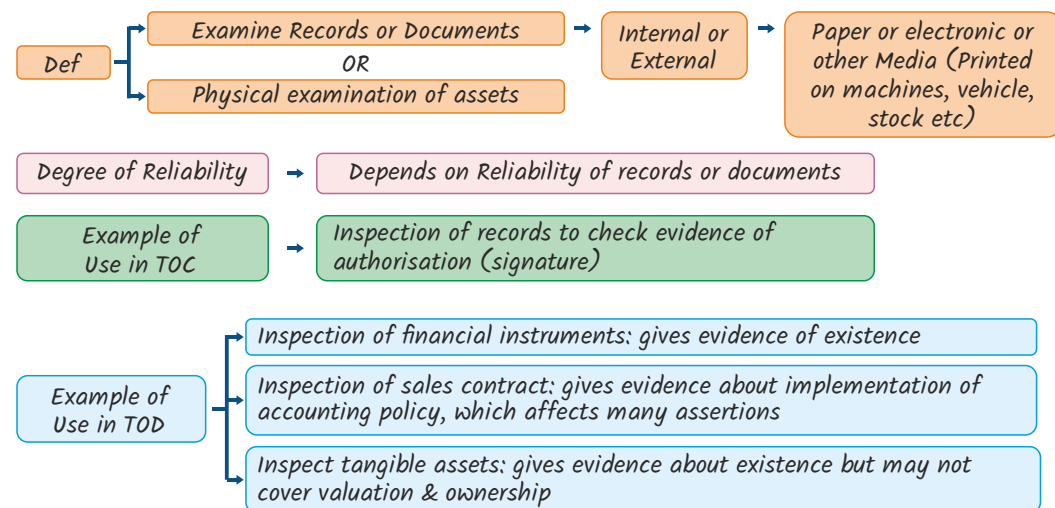
METHOD OF COLLECTING AUDIT EVIDENCE



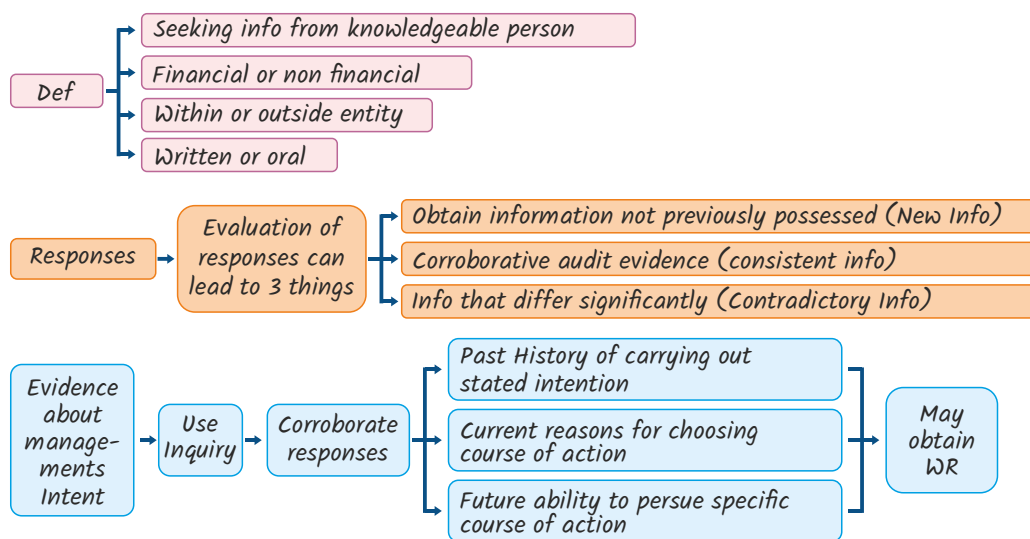
Some Important Points



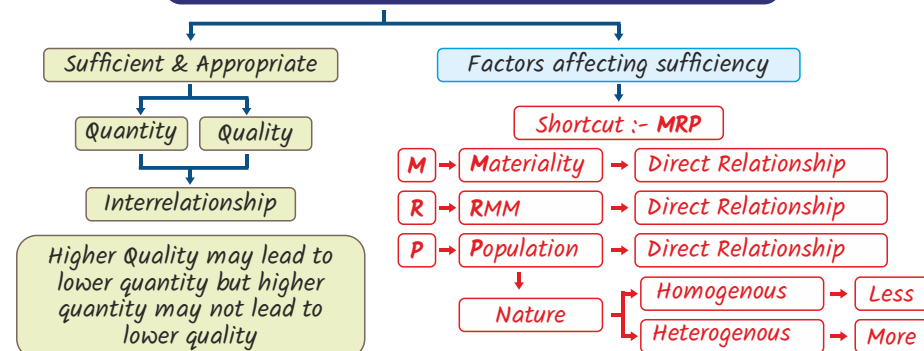
INSPECTION



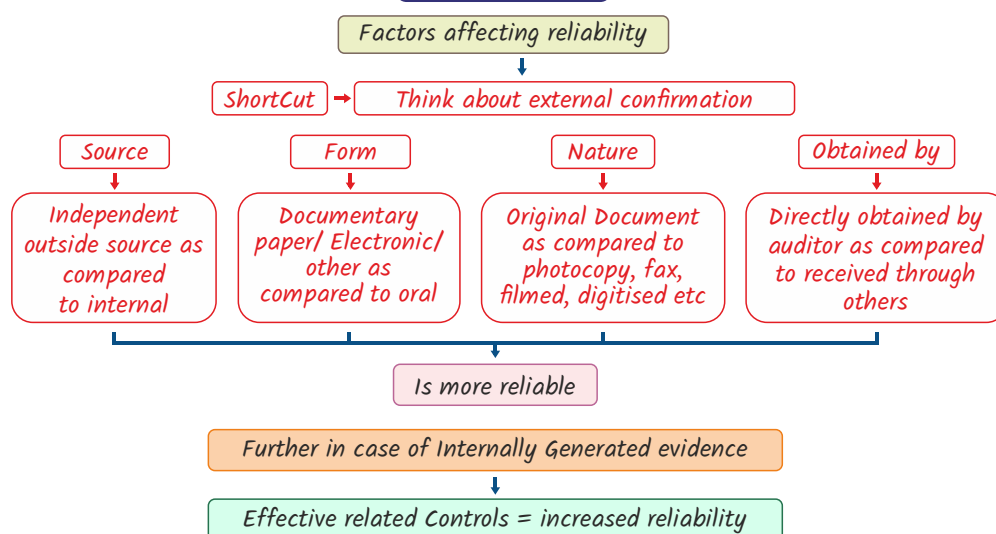
INQUIRY



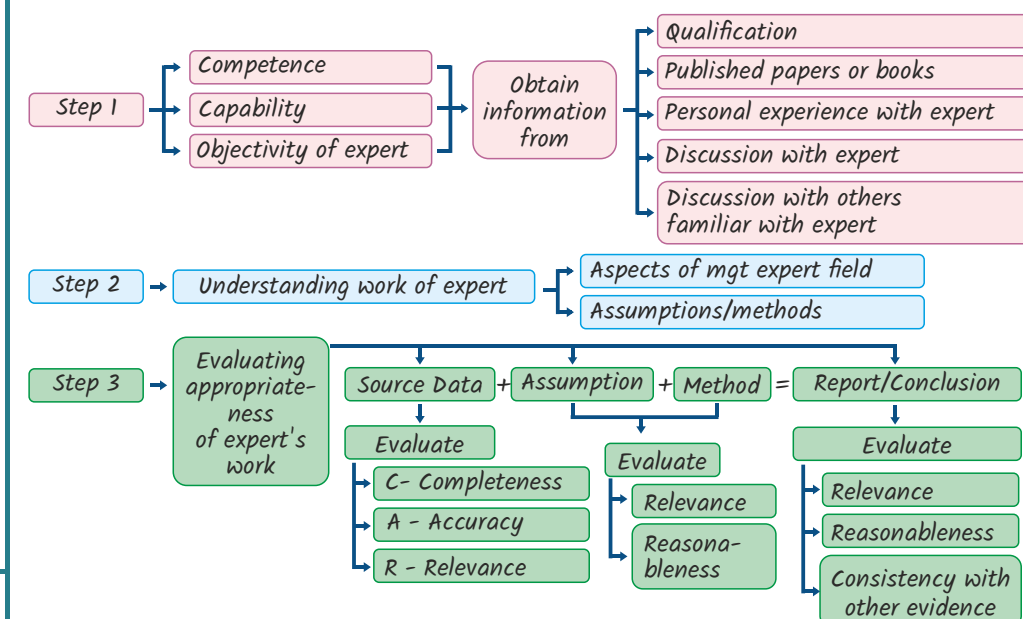
SUFFICIENCY & APPROPRIATENESS OF AUDIT EVIDENCE



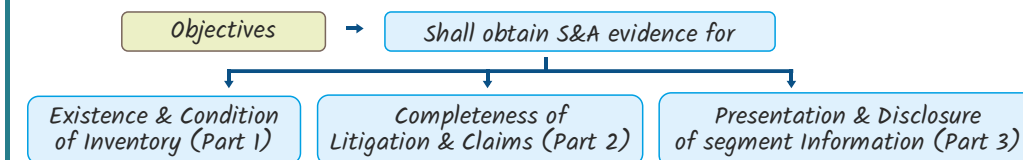
RELIABILITY



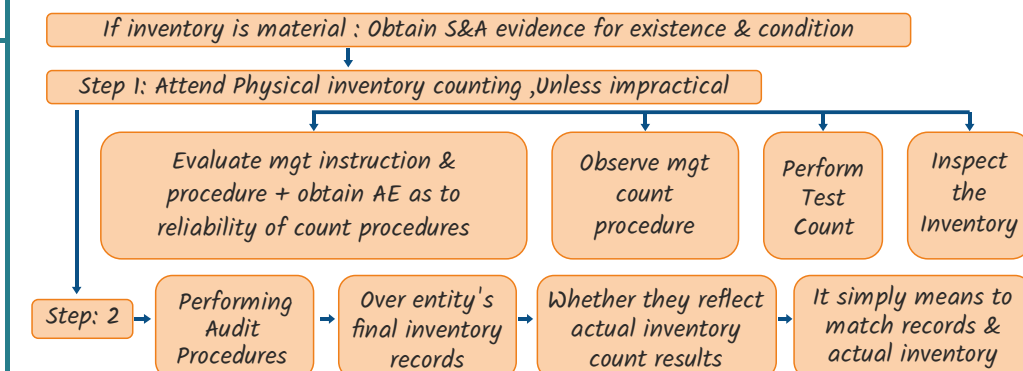
USING THE WORK OF MGT EXPERT



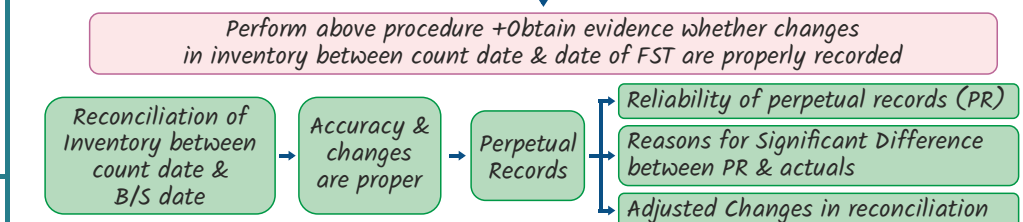
SA 501

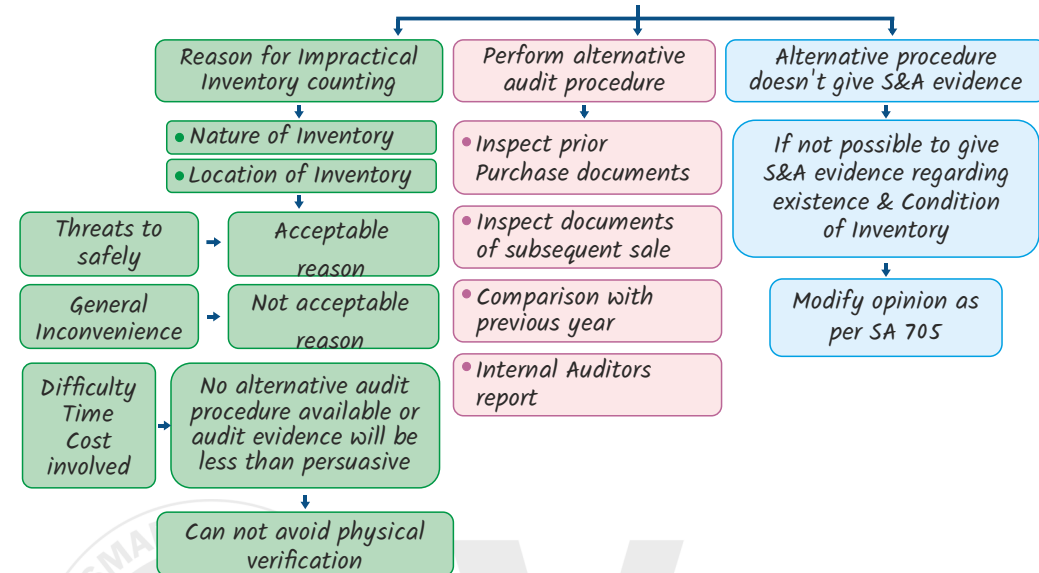
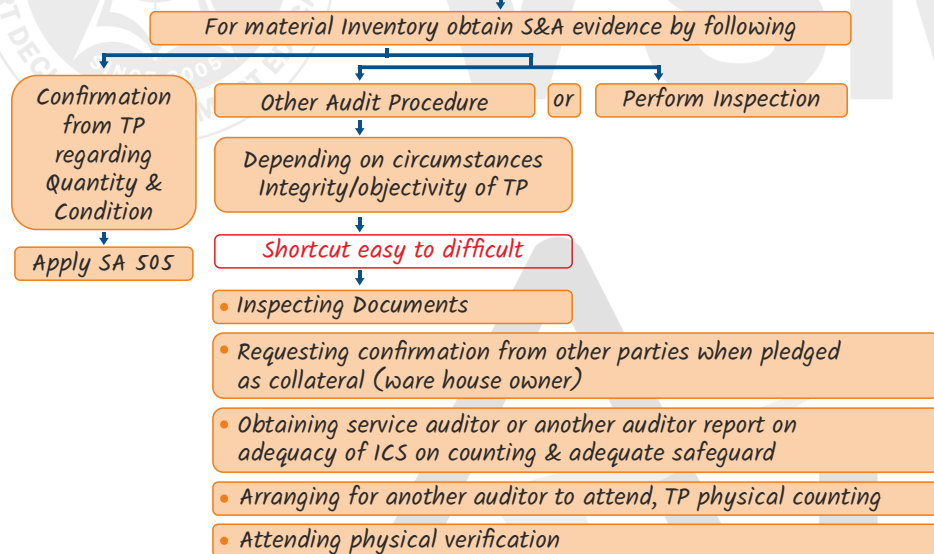
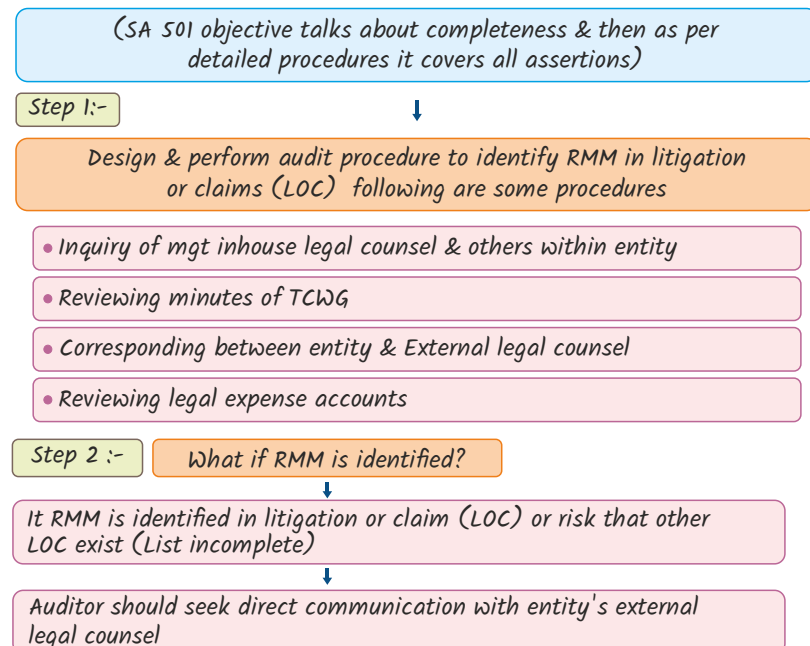


Part I :- Existence & Condition of Inventory



SPECIAL CASE I : COUNTING IS CONDUCTED AT DATE OTHER THAN YEAR END



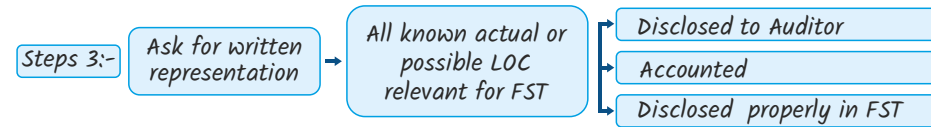
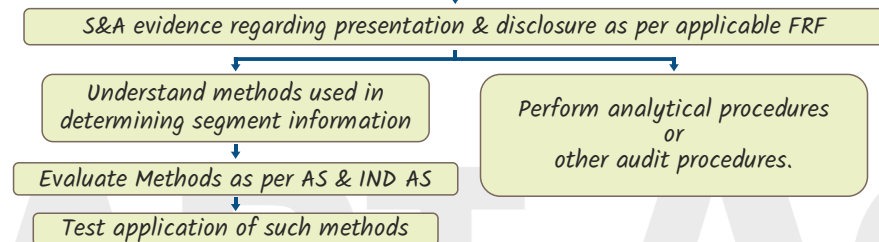
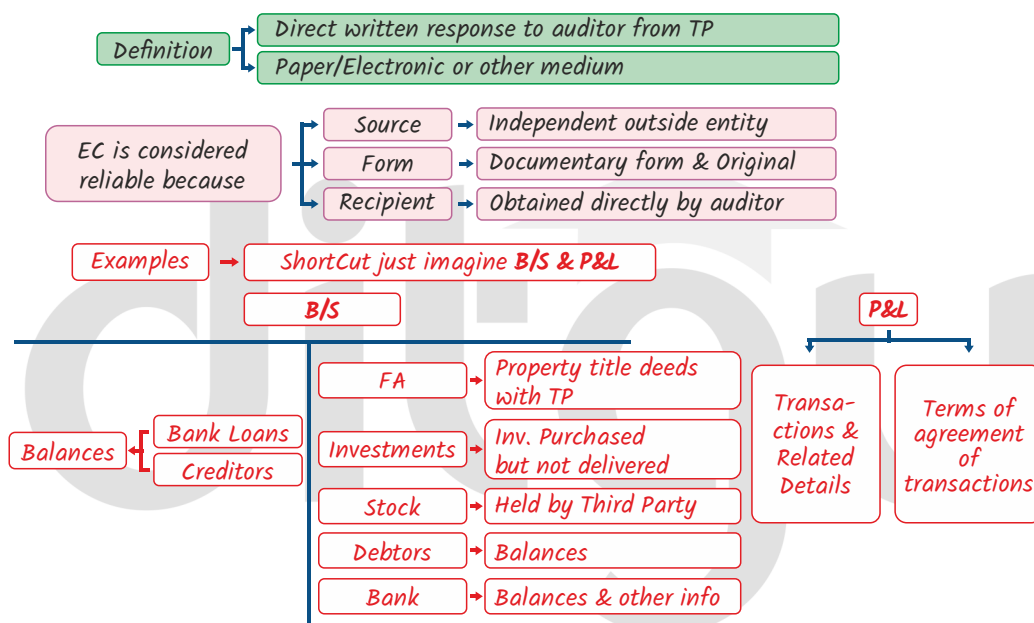
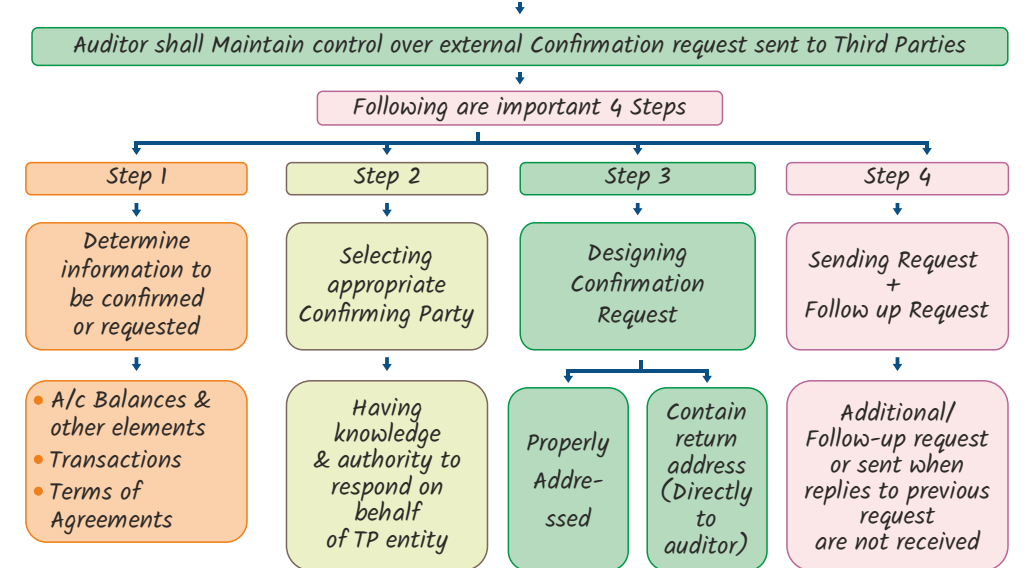
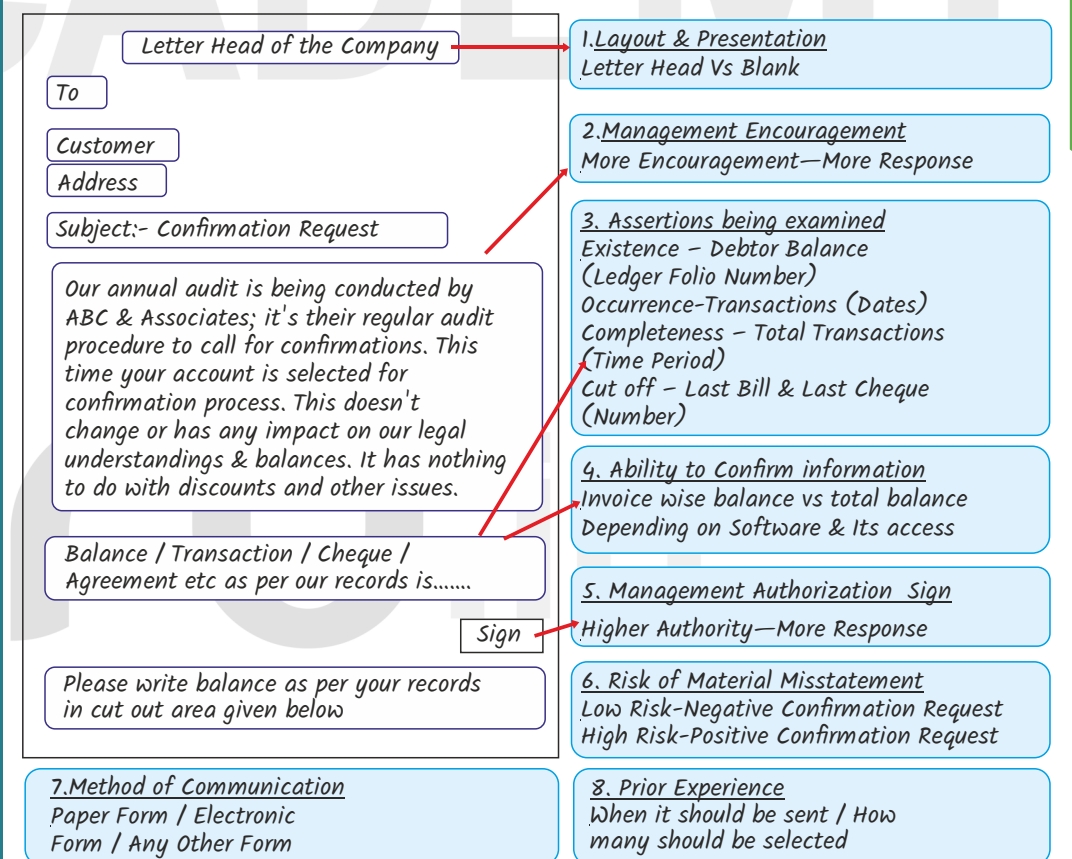
SPECIAL CASE 2 : COUNTING IS IMPRACTICABLE**SPECIAL CASE 3 :- CUSTODY CONTROL OF A THIRD PARTY****PART 2 LITIGATION & CLAIMS**

Continue on next column...

Use letter of inquiry, designed by auditor, prepared by mgt& sent by auditor, response will be directly sent to auditors

If prohibited by law then auditor shall perform alternative audit procedure

Meeting: In certain cases because of Complexity/Significant Risk/Disagreement between external legal counsel & mgt then-meet external legal counsel needs mgt permission & held in presence of mgt representative

**PART 3 : SEGMENT INFORMATION****SA 505****EXTERNAL CONFIRMATION (EC)****EXTERNAL CONFIRMATION PROCEDURES****FACTORS TO CONSIDER WHEN DESIGNING CONFIRMATION REQUESTS INCLUDE:**

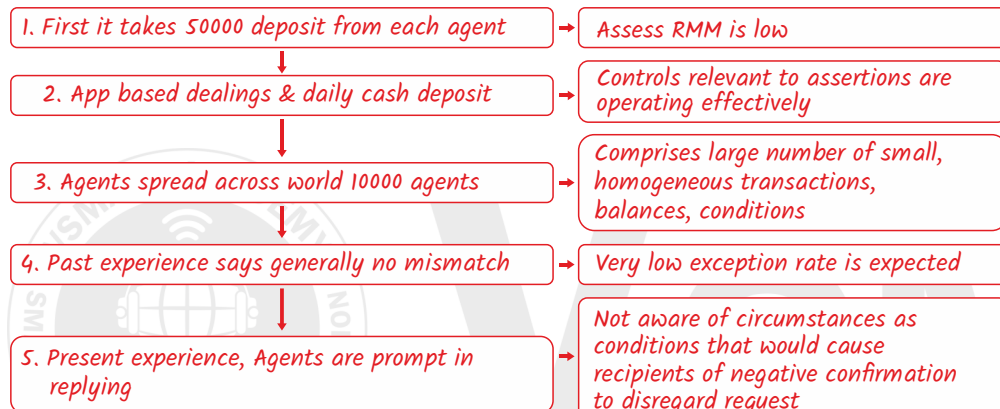
NEGATIVE CONFIRMATION

Def: Confirming Party/ TP will reply only if they disagree with information provided in request

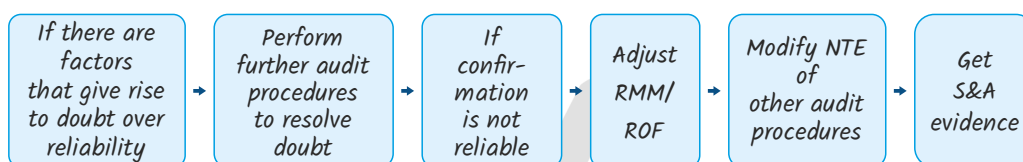
Less persuasive evidence as compared to positive confirmations so positive confirmation is preferred

Negative confirmation as sole substantive audit procedure for RMM only if ALL following conditions satisfied

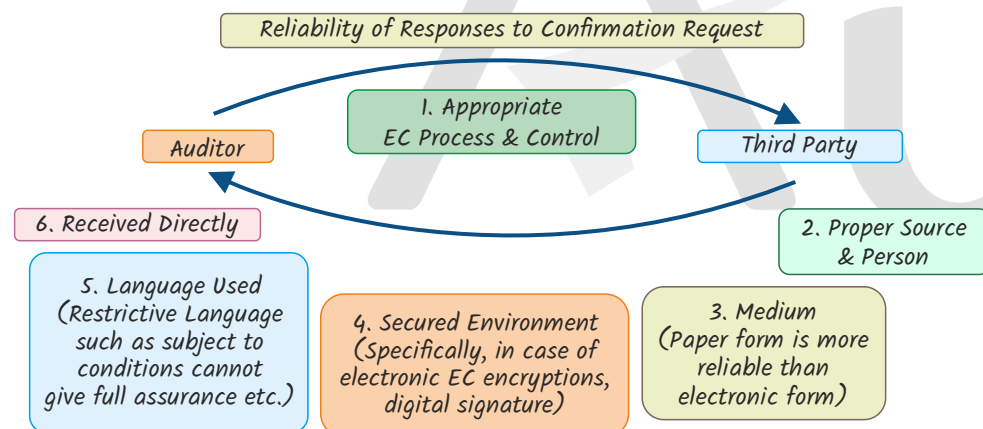
ShortCut: Imagine Herba Life Nutrition Co. (Notional)



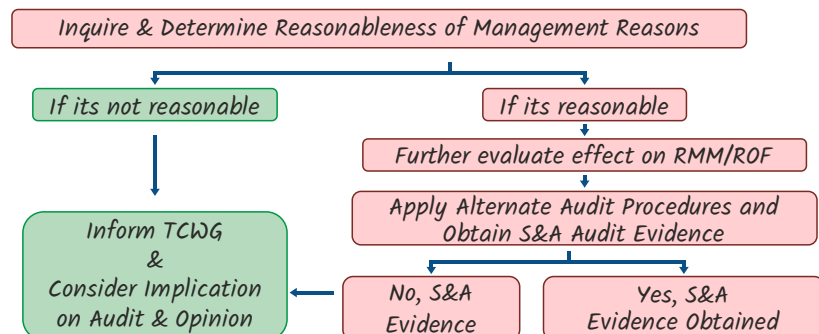
DOUBTS OVER RELIABILITY OF RESPONSES



FACTORS AFFECTING RELIABILITY OF RESPONSES

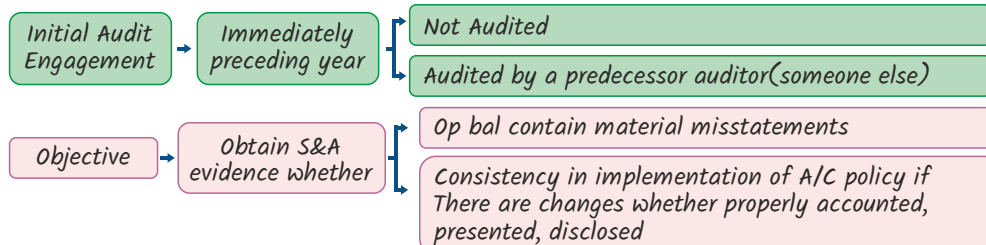


MGT'S REFUSAL TO ALLOW AUDITOR TO SEND CONFIRMATION REQUEST

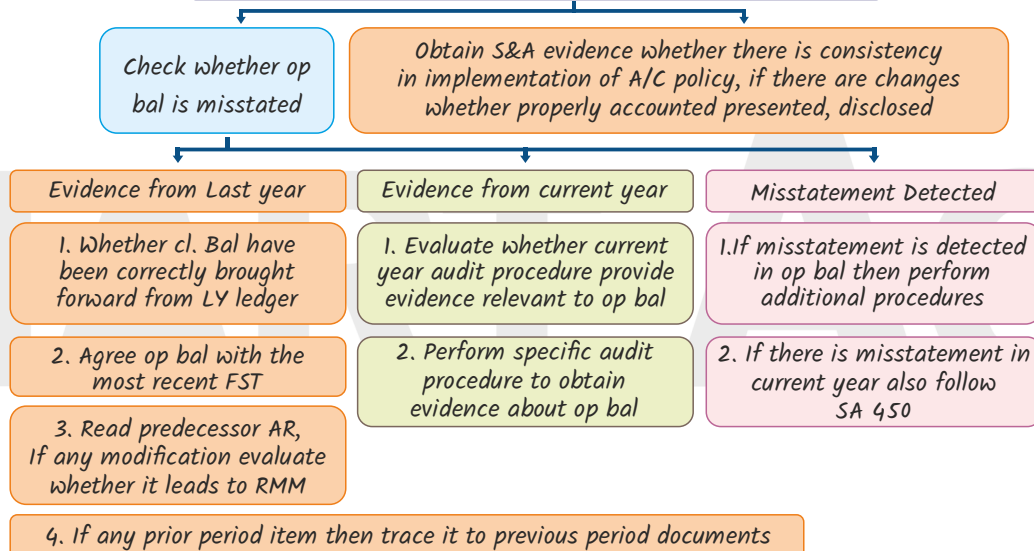


SA 510

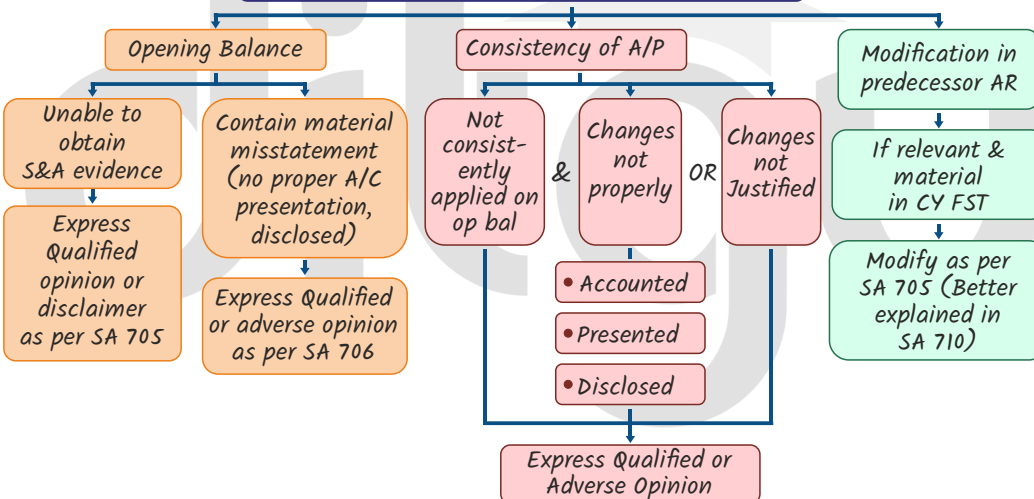
APPLICABILITY: APPLICABLE TO INITIAL AUDIT ENGAGEMENTS



AUDIT PROCEDURE TO EXAMINE OPENING BALANCES

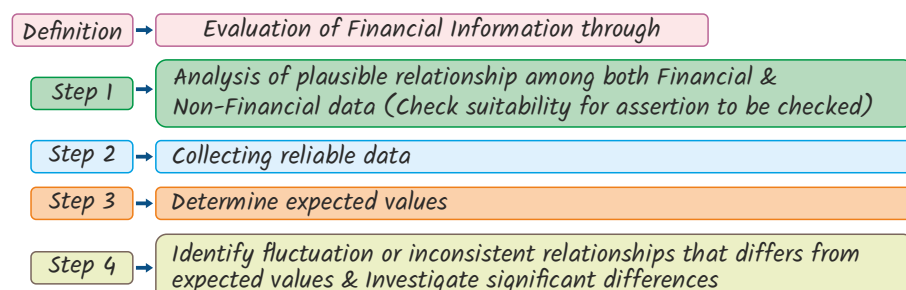


AUDIT CONCLUSION & REPORTING

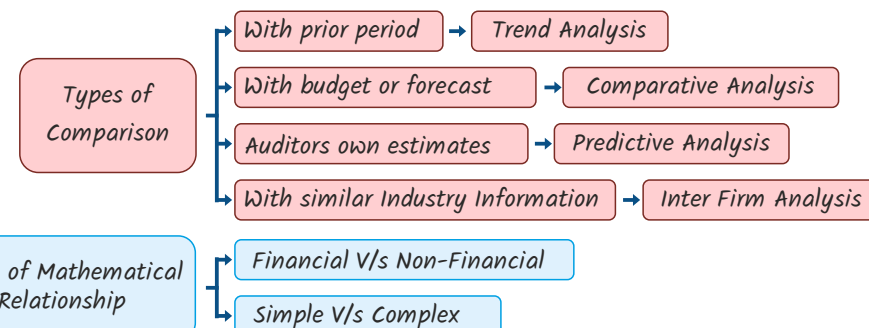


SA 520

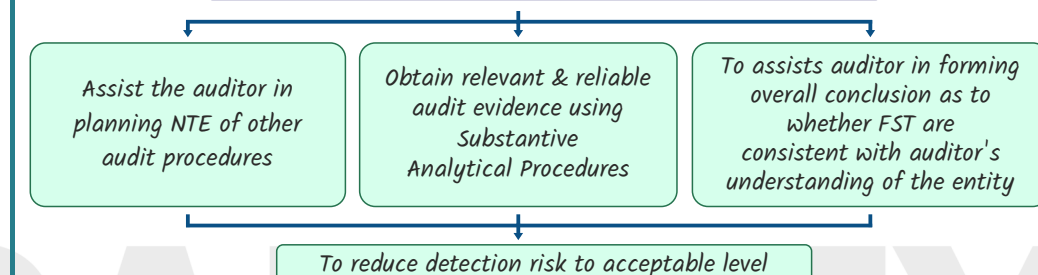
ANALYTICAL PROCEDURES



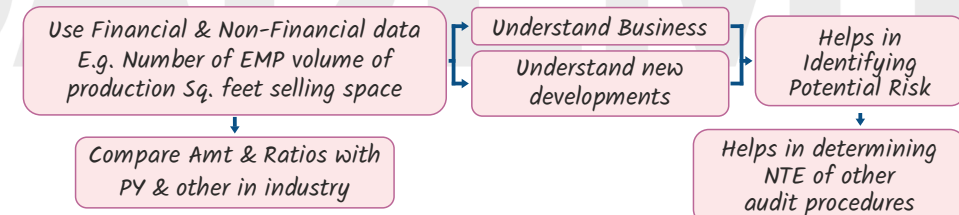
Continue on next column...



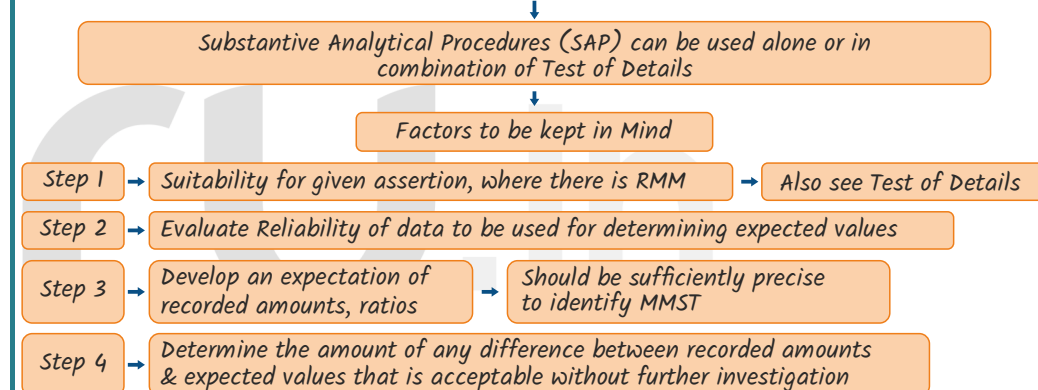
APPLICATION/PURPOSE OF ANALYTICAL PROCEDURES



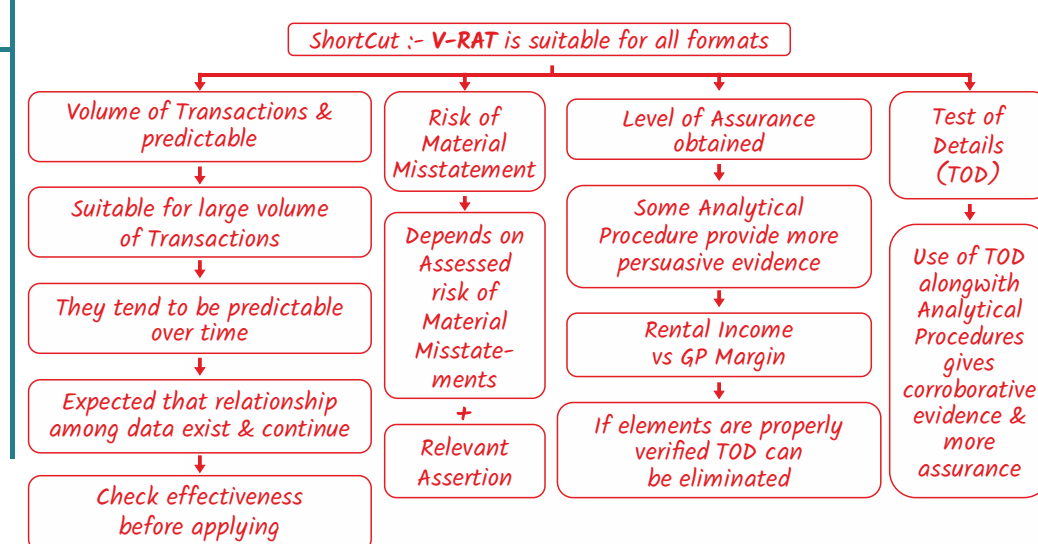
ANALYTICAL PROCEDURES IN PLANNING AUDIT



ANALYTICAL PROCEDURES USED AS SUBSTANTIVE TESTS



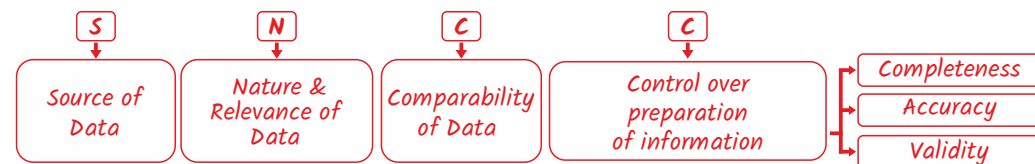
FACTORS AFFECTING SUITABILITY



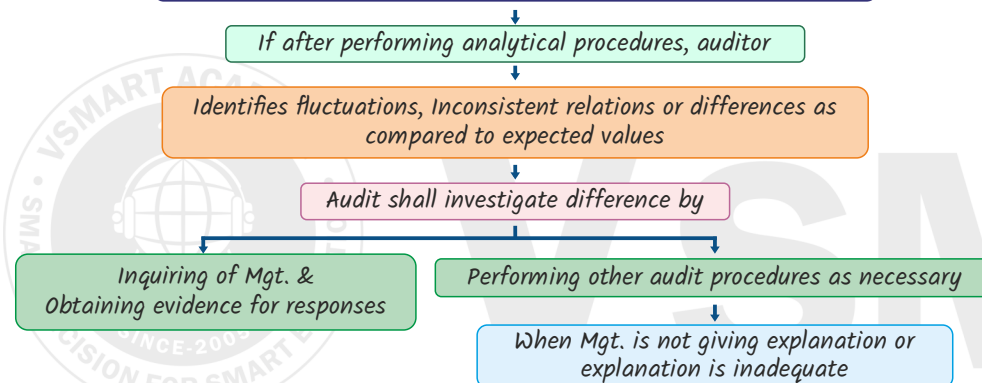
FACTORS AFFECTING RELIABILITY OF DATA/EXTENT OF RELIANCE ON SAP

Following are the criteria's that should be considered while designing SAP

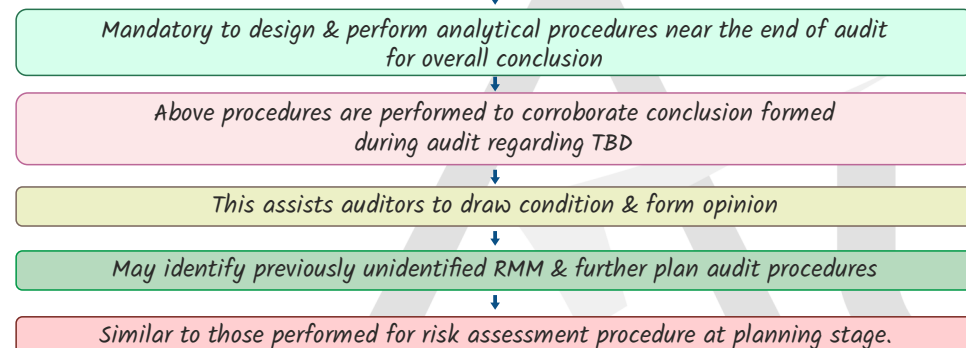
Shortcut :- Sr NCC candidates are reliable



INVESTIGATION RESULTS OF ANALYTICAL PROCEDURES



ANALYTICAL PROCEDURES THAT ASSIST WHEN FORMING OVERALL CONCLUSION

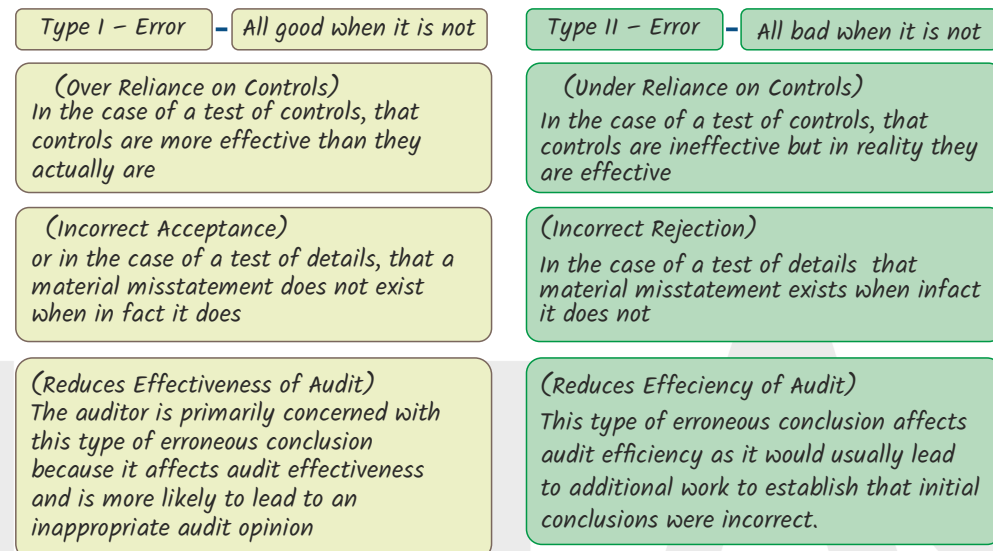


SA 530

SAMPLING RISK

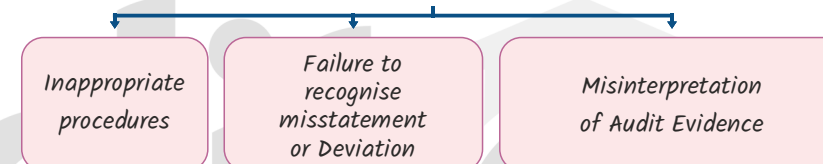
The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure

Sampling risk can lead to two types of erroneous conclusions

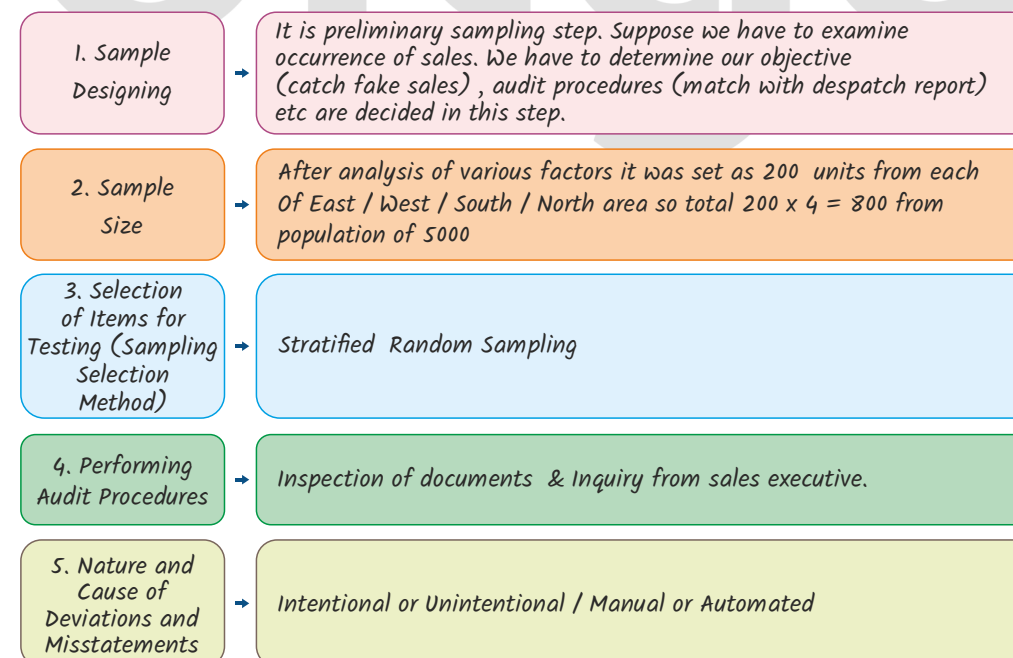


NON-SAMPLING RISK

Chances that auditors reaches inappropriate conclusions because of reasons given below



SAMPLING PROCESS



6. Projecting Misstatements

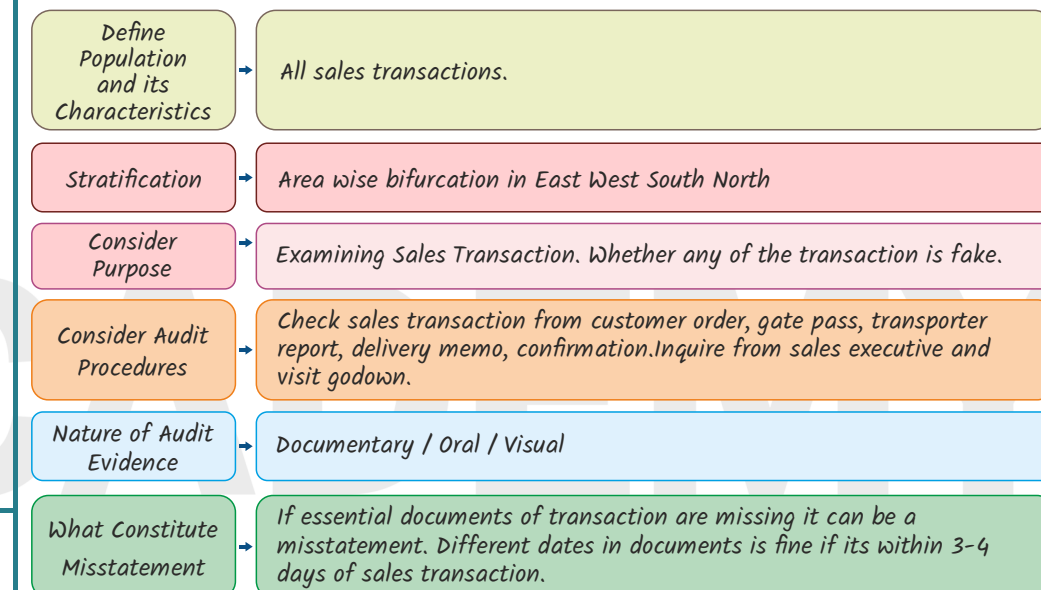
If there are fake sales in sample, then how much in whole population.

7. Evaluating Results of Audit Sampling & Taking Action

Whether misstatements are within tolerable limit?
Whether further audit procedures should be applied.

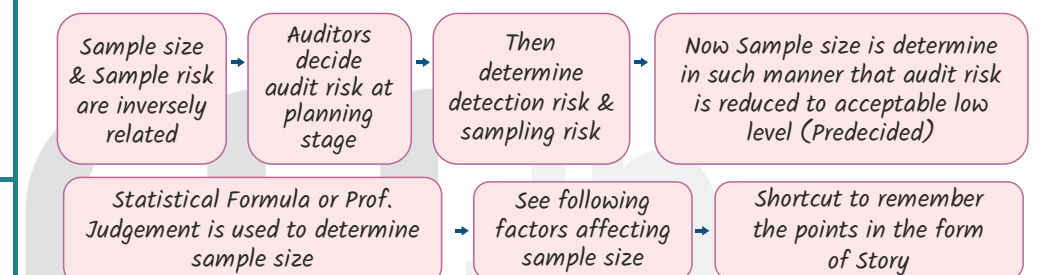
STEP - 1

SAMPLE DESIGNING

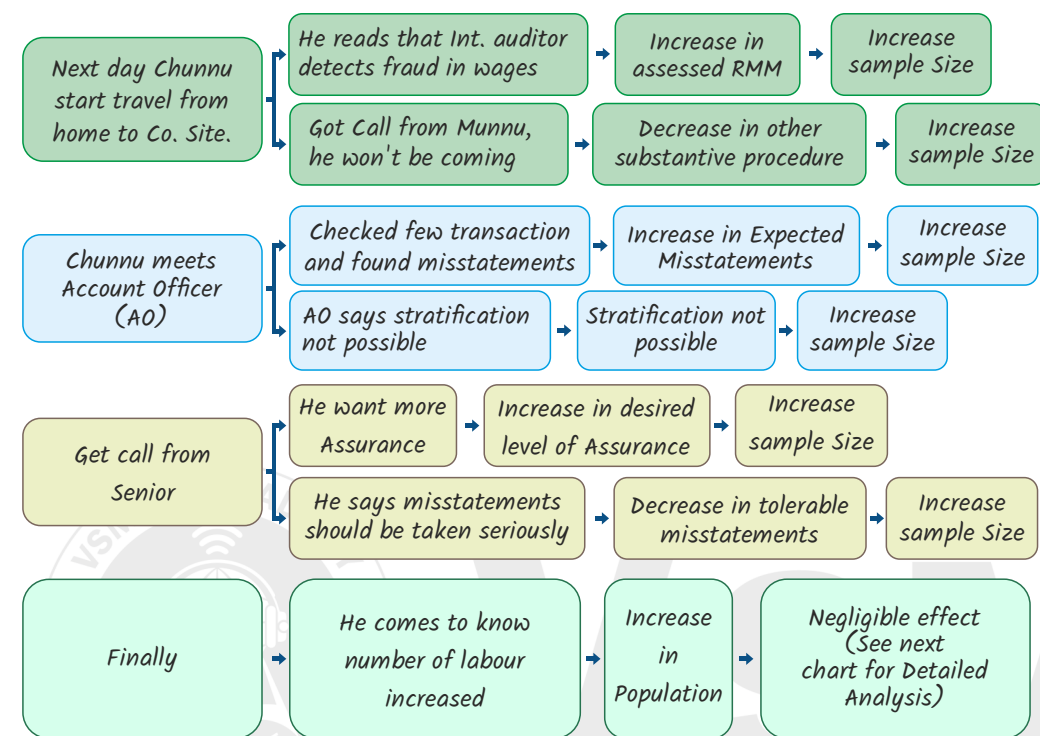


STEP - 2

SAMPLE SIZE

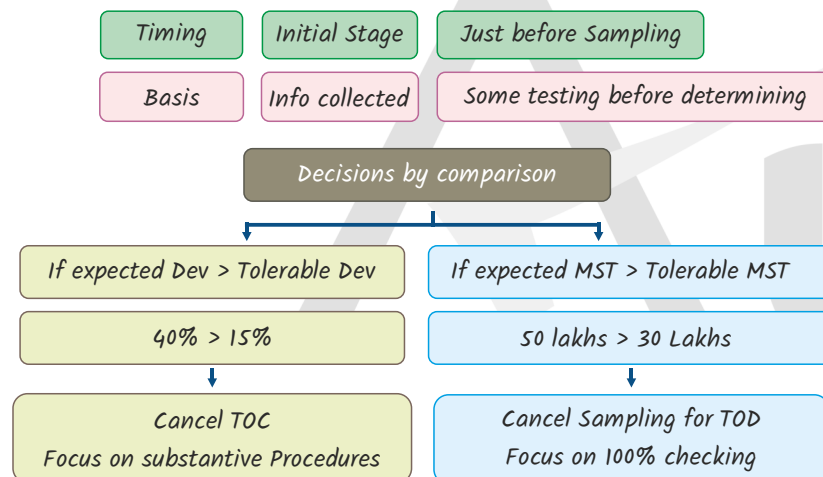


CHUNNU, MUNNU ARE ASSIGNED TO AUDIT "WAGES" IN THE CONSTRUCTION COMPANY

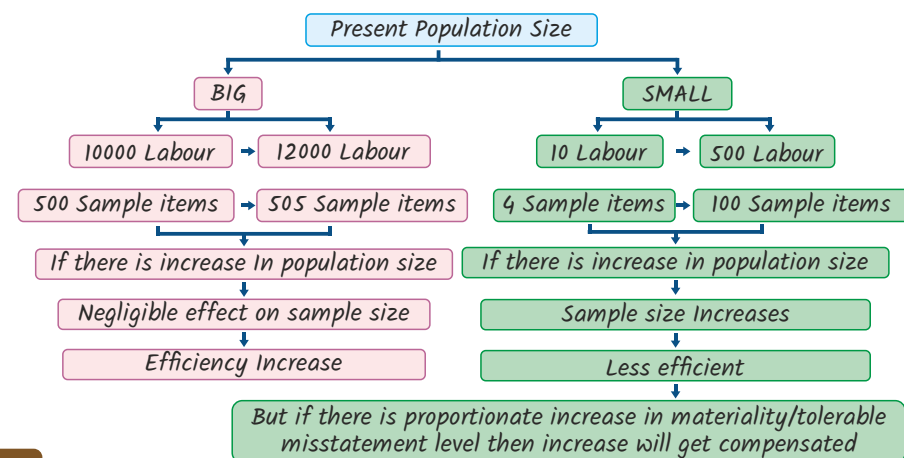


Above points are presented from point of sampling in test of detail, similar points applicable for sampling in TOC

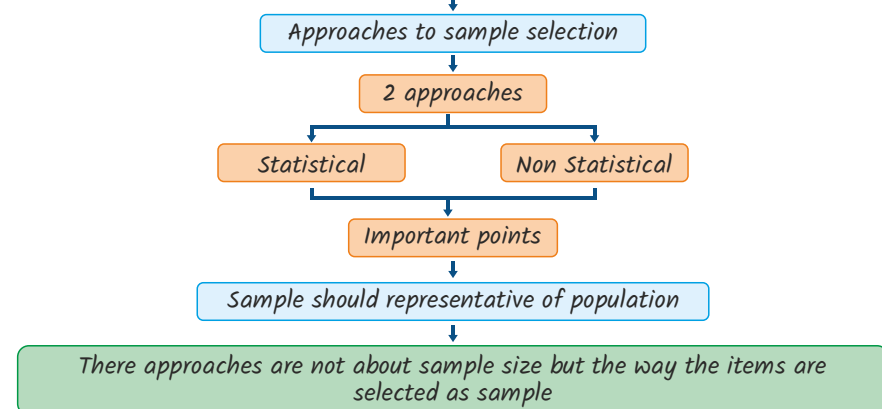
RMM VS EXPECTED DEV/MST



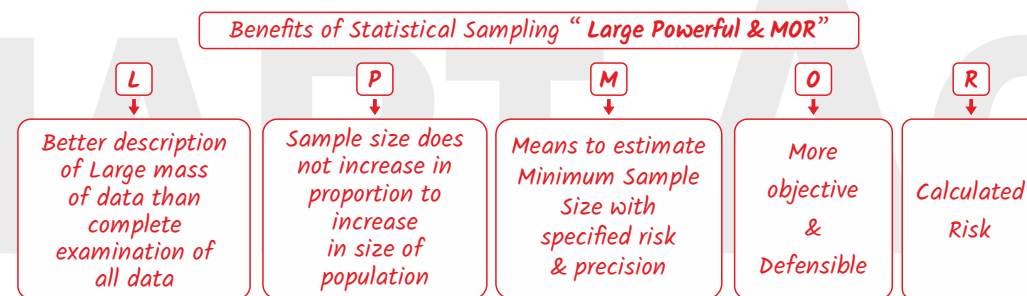
EFFECT OF POPULATION SIZE ON SAMPLE SIZE



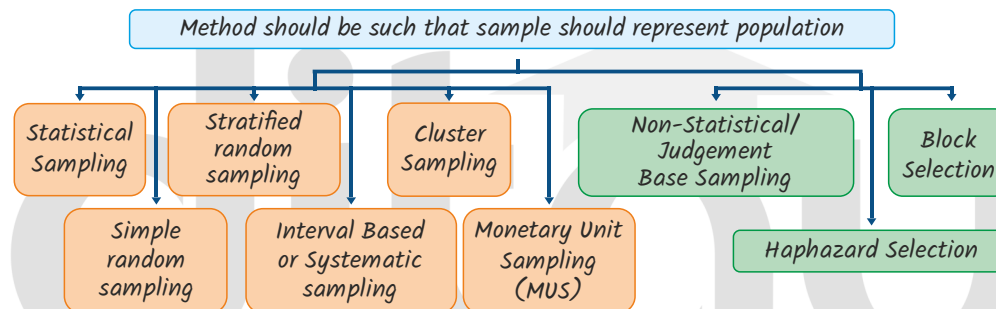
STEP 3 SELECTION OF ITEMS FOR TESTING



ADVANTAGES OF STATISTICAL SAMPLING

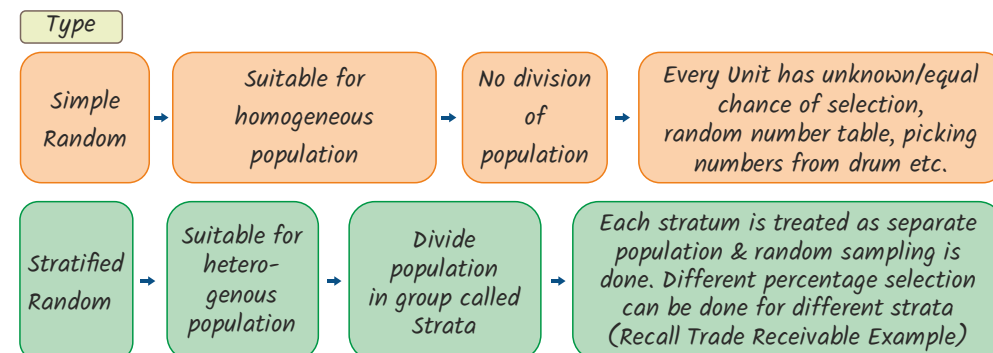


SAMPLE SELECTION METHOD

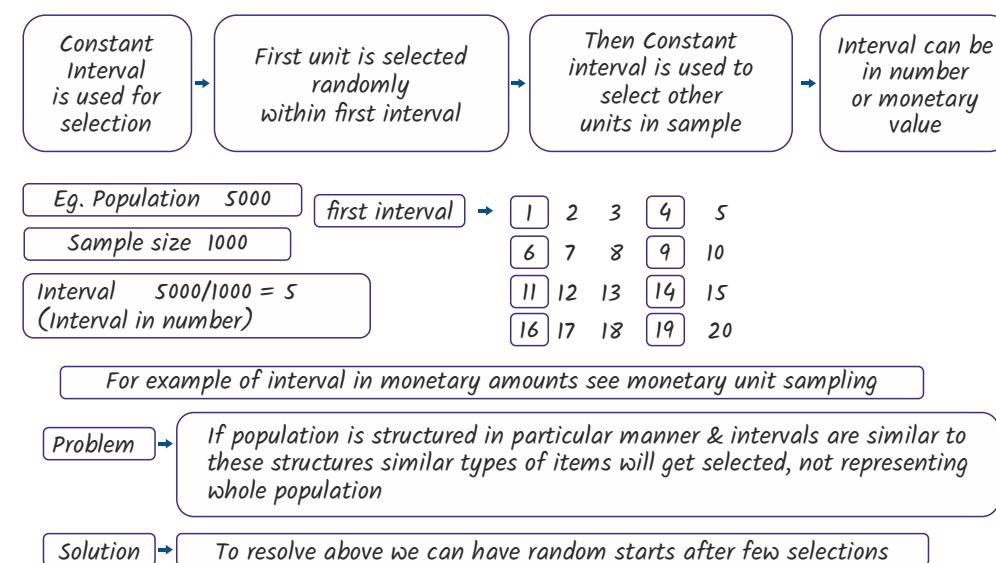


RANDOM SAMPLING

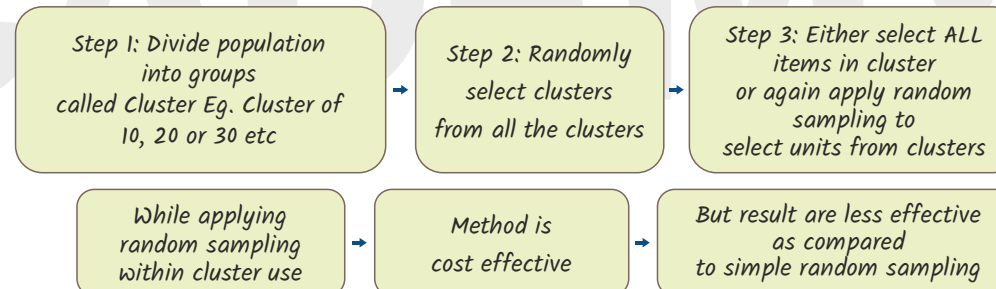
Def :- All items in population or strata have equal chance of selection. Then we may use random number table, random between excel function or anything like this to select sample.



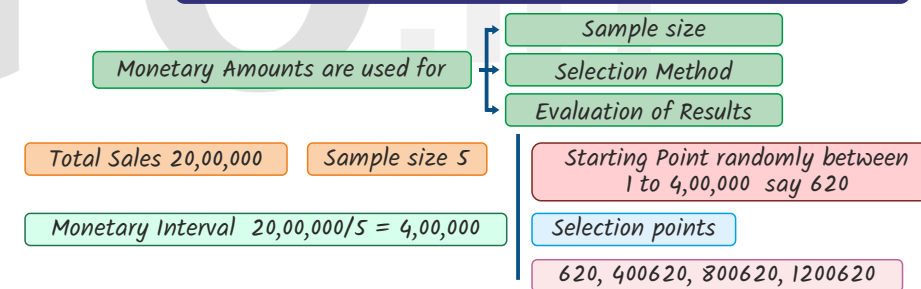
INTERVAL BASED/ SYSTEMATIC SAMPLING



CLUSTER SAMPLING



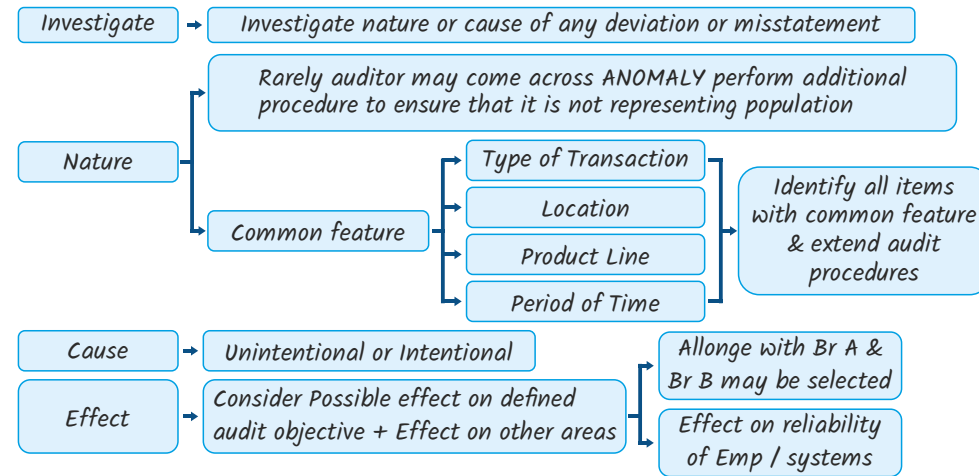
MONETARY UNIT SAMPLING / VALUE-WEIGHTED SELECTION



Bill No	Bill Amount	Cumulative total	Base
1	1,00,000	1,00,000	620
2	40,000	1,40,000	
3	20,000	1,60,000	
4	50,000	2,10,000	
5	20,00,000	4,10,000	4,00,620
6	1,60,000	4,70,000	
7	20,000	4,90,000	
8	70,000	5,60,000	
9	60,000	6,20,000	
10	2,50,000	8,70,000	8,00,620
11	45,000	9,15,000	
12	35,000	9,50,000	
13	1,00,000	10,50,000	
14	65,000	11,15,000	
15	1,50,000	12,65,000	12,00,620
16	20,000	12,85,000	
17	40,000	13,25,000	
18	65,000	13,90,000	
19	35,000	14,25,000	
20	95,000	15,20,000	
21	3,50,000	18,70,000	16,00,620
22	40,000	19,10,000	
23	45,000	19,55,000	
24	25,000	19,80,000	
25	20,000	20,00,000	

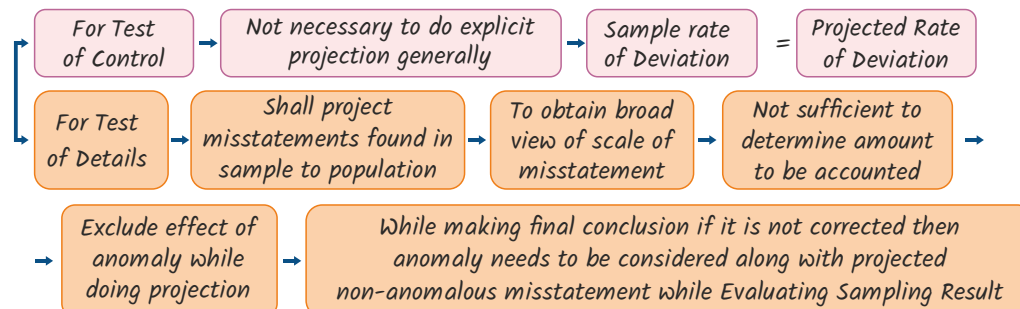
CNO—SA 530.160

STEP - 5 NATURE & CAUSE OF DEVIATION & MISSTATEMENT



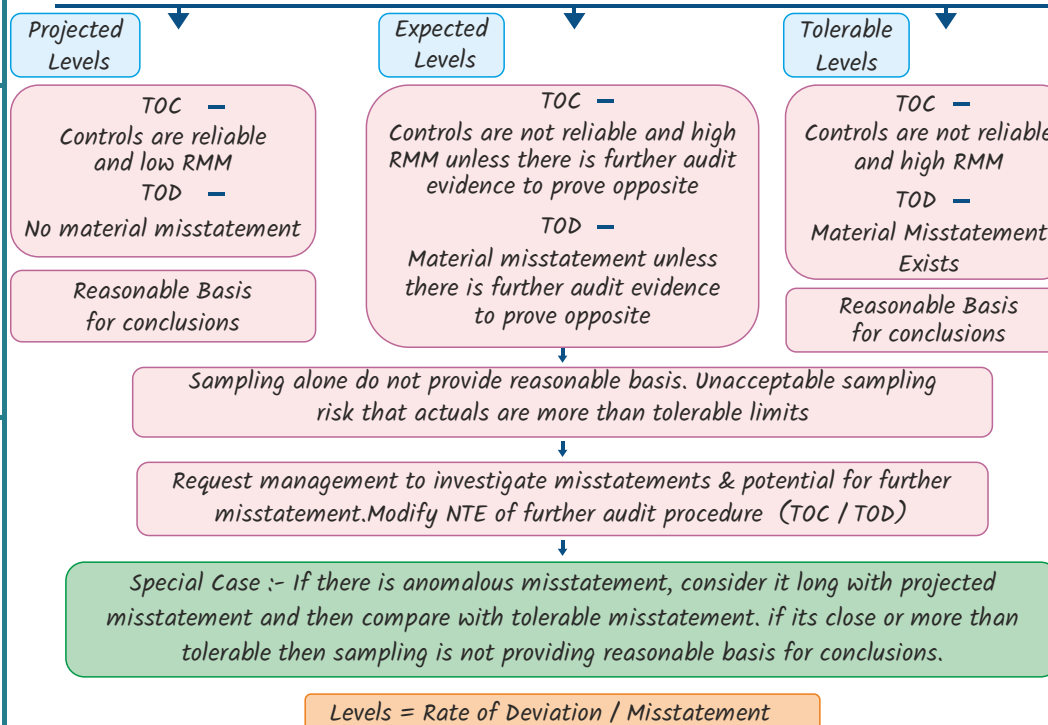
CNO—SA 530.180

STEP - 6 PROJECTING DEVIATION/MISSTATEMENT



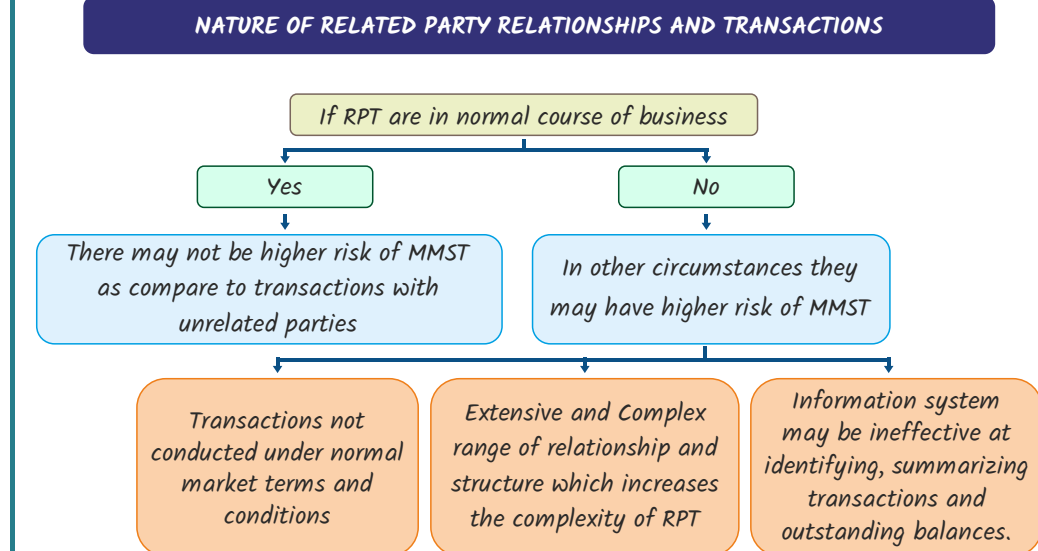
CNO—SA 530.200

STEP - 7 EVALUATION OF SAMPLING RESULTS



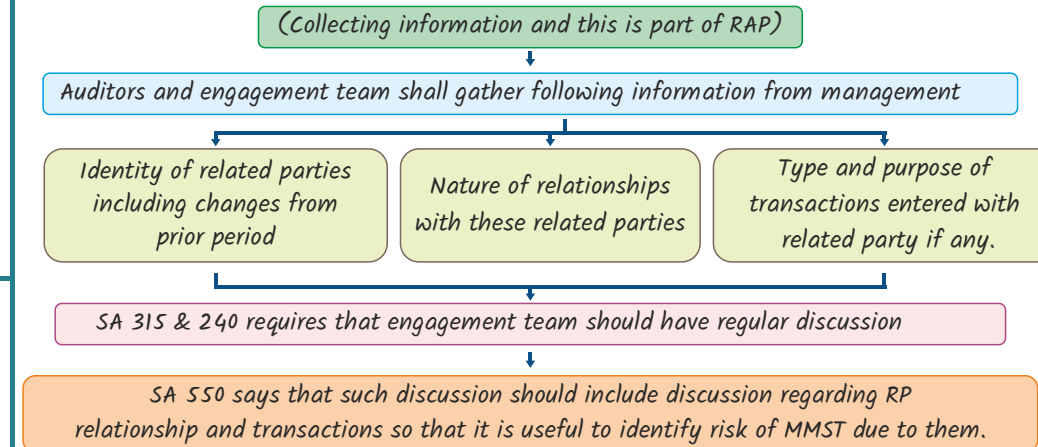
CNO—SA 550.020

SA 550



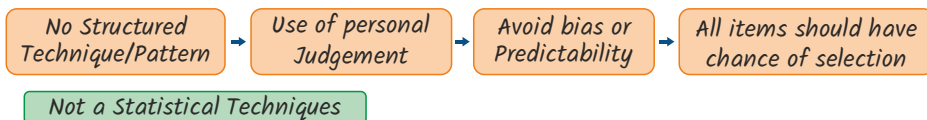
CNO—SA 550.040

UNDERSTANDING ENTITY'S RELATED PARTY RELATIONSHIP AND TRANSACTIONS



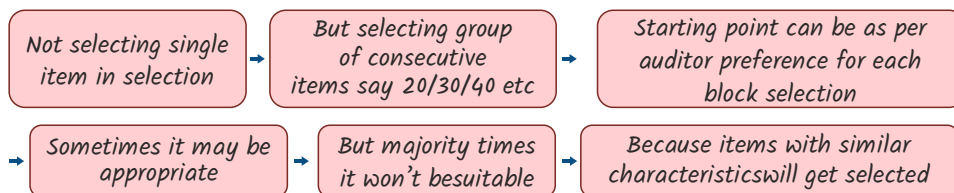
CNO—SA 530.120

HAPHAZARD SELECTION



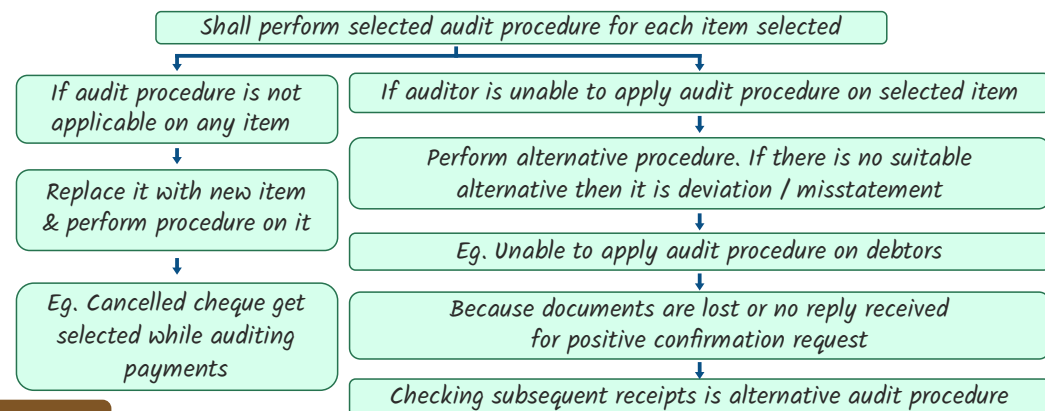
CNO—SA 530.120

BLOCK SELECTION



CNO—SA 530.140

STEP - 4 PERFORMING AUDIT PROCEDURES



MAINTAINING ALERTNESS FOR RELATED PARTY INFORMATION WHEN REVIEWING RECORDS OR DOCUMENTS (FOLLOWING DOCUMENTS OR RECORDS ARE GOOD SOURCE OF INFORMATION)

Auditor should remain alert while inspecting records or documents given below as they may give information about related parties relationship and transactions which were not told by management previously.

It is mandatory to inspect following documents

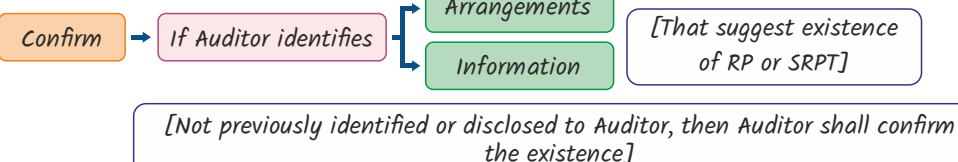
External Confirmations	Ex: From Banks, Legal Counsel, 3 rd Party
Minutes	Ex: Minutes of meeting of shareholders
Other records or documents	Ex: Scheme of Restructuring

Documents which may be inspected to give information

In the sequence of importance: -

Law Related	Sec. 189 Register Information supplied to regulatory authorities (filing with SEBI, SEC, tax returns)
Contract Related	Renegotiated contracts Contract not in ordinary course of business
Shareholders Related	Shareholder register
Director Related	Director register For transaction with directors Contract with TCWG/Director/KMP Life Insurance policies Pensions plans with directors Statement of conflict of interest by directors on various transactions
Professionals	Internal audit report Invoices and correspondence with professionals
Subsidiary and Associates	Investment Register

IDENTIFICATION OF PREVIOUSLY UNIDENTIFIED OR UNDISCLOSED RELATED PARTIES OR SIGNIFICANT RPT (RP OR SRPT)



Continue on next column...

What if auditor confirm (identifies) existence

Promptly communicate information to other team members

Where applicable FRF establish requirements w.r.t. RPR & RPT:-

Inquire why entity's control related to RP & SRPT failed to identify or disclose

Request management to identify and disclose all transactions with newly identified RP

Perform substantive AP on identified transactions

Before we close the issue

Re-consider risk that there are other undisclosed RP & SRPT and perform additional audit procedures

If such things appears intentional, it indicates risk of MMST due to fraud

Evaluate implications on the audit

SRPT OUTSIDE ENTITY'S NORMAL COURSE OF BUSINESS

Meaning: - Professionals will have to apply judgements on transactions which are outside normal course of business

To exercise these judgements they should see whether such things happens in particular industry or business

They can also see whether such transactions happens on recurring basis

Following may become transactions outside normal course of business

Asset Related	Leasing premises without consideration
Equity Related	Complex Equity transactions → Corporate Restructuring (internal restructuring or acquisitions)
P&L Related	Transactions With offshore entity where corporate laws are weak Under a contract who's terms are changed before expiry (unusual) Rendering management services without consideration
Sales	Unusually large discounts or returns Sales with circular arrangements (sale with commitment to repurchase)

AUDIT PROCEDURES FOR SRPT OUTSIDE NORMAL COURSE OF BUSINESS

Authorization → Obtain evidence that transactions are authorized and approved

Inspection of contracts, agreement and other documents

Understand business rationale behind transactions, if there is lack of business rationale whether it suggest that the transactions were entered for

Fraudulent Financial reporting

Conceal mis-appropriation of assets

Continue on next Column...

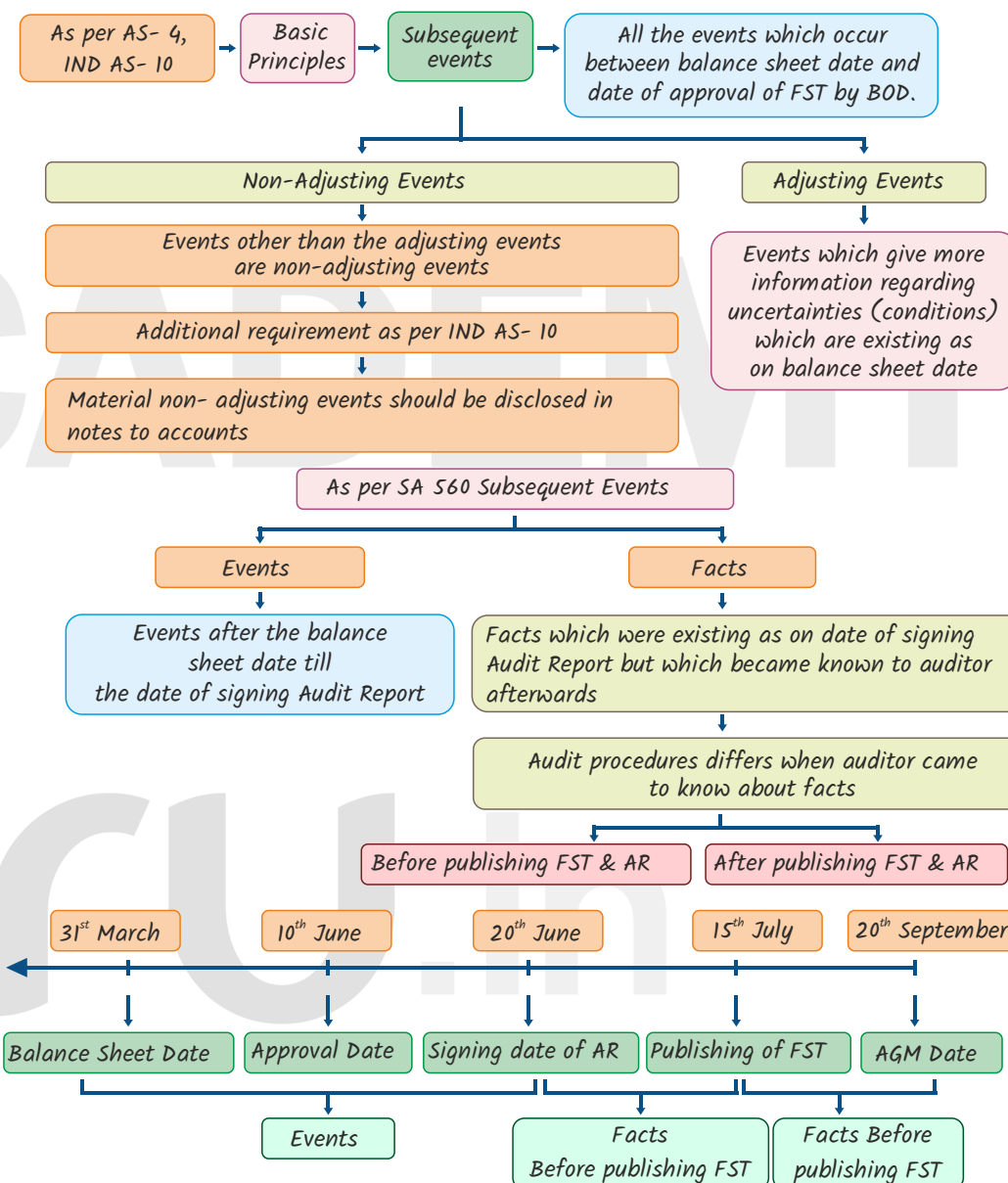
Call for management explanation and check whether it is consistent with the underlying documents

Whether such transactions are properly accounted and disclosed as per applicable FRF

*Significant Related Party Transactions (SRPT)

SA 560

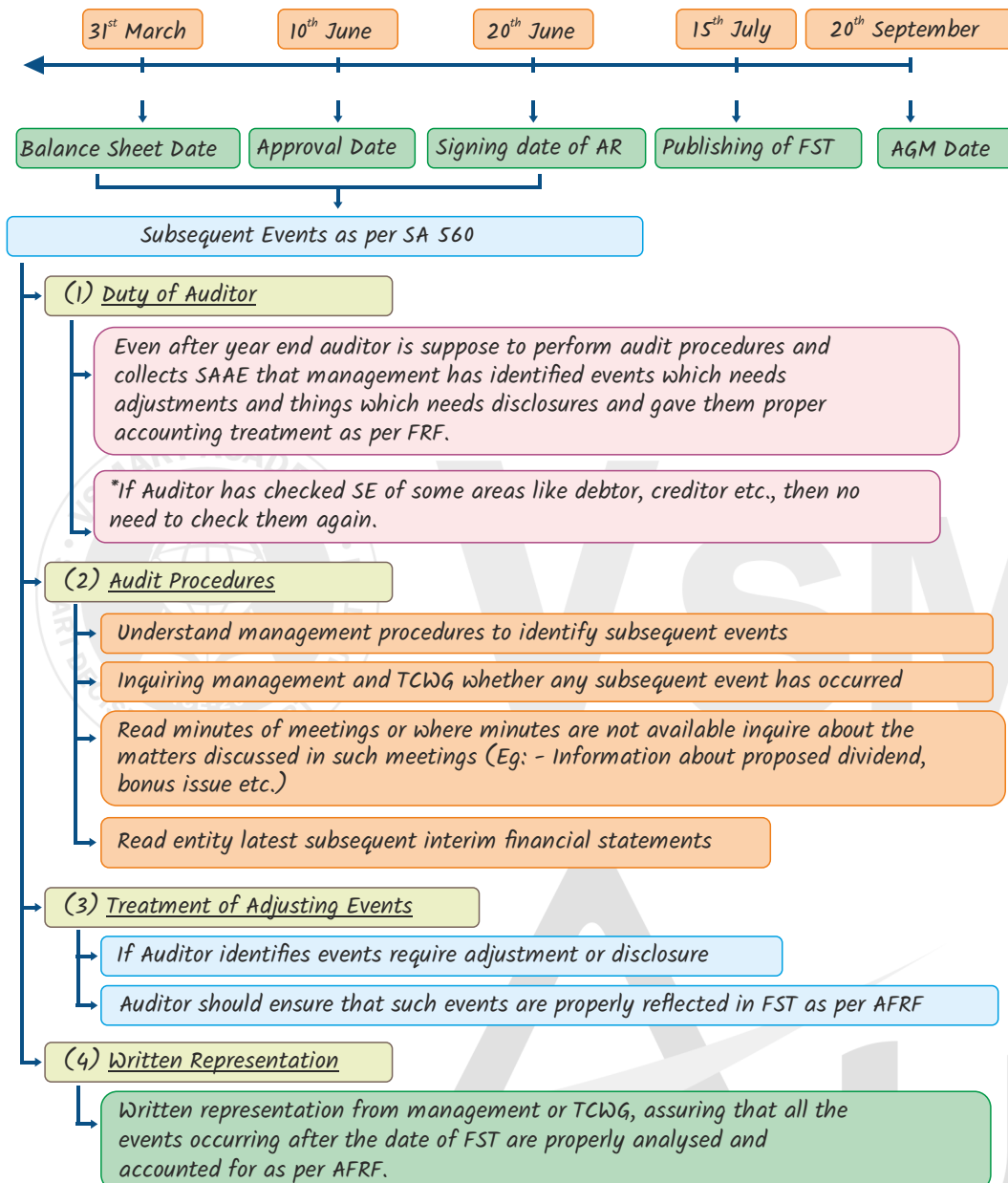
SUBSEQUENT EVENTS



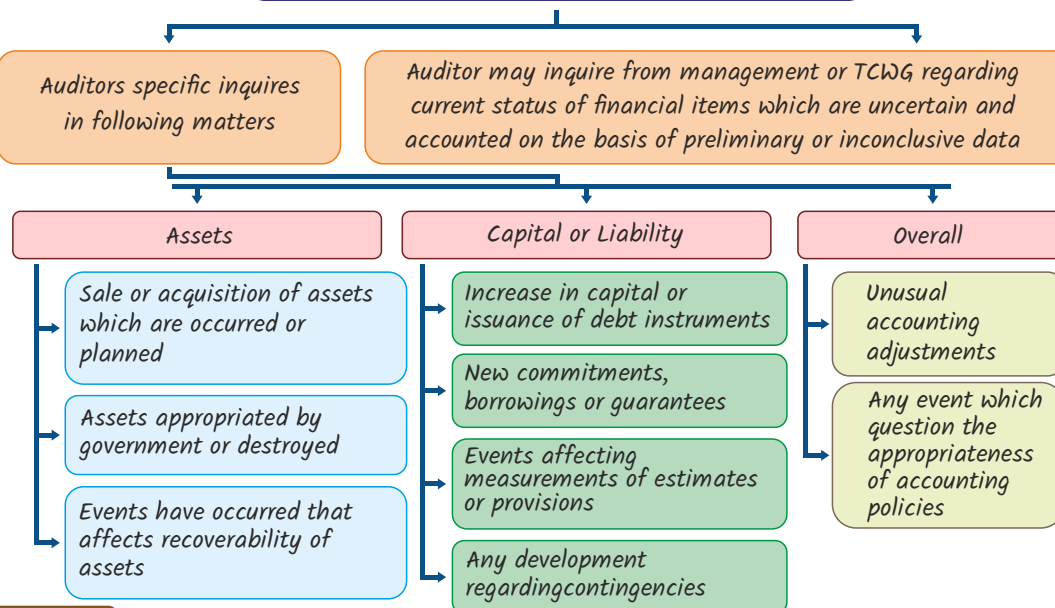
Note: - Auditor may come to know about facts any time in future. If he comes to know facts before AGM then it is easy to amend FST and AR. If he comes to know after AGM, it legally becomes difficult to amend, so it better amend in next year.



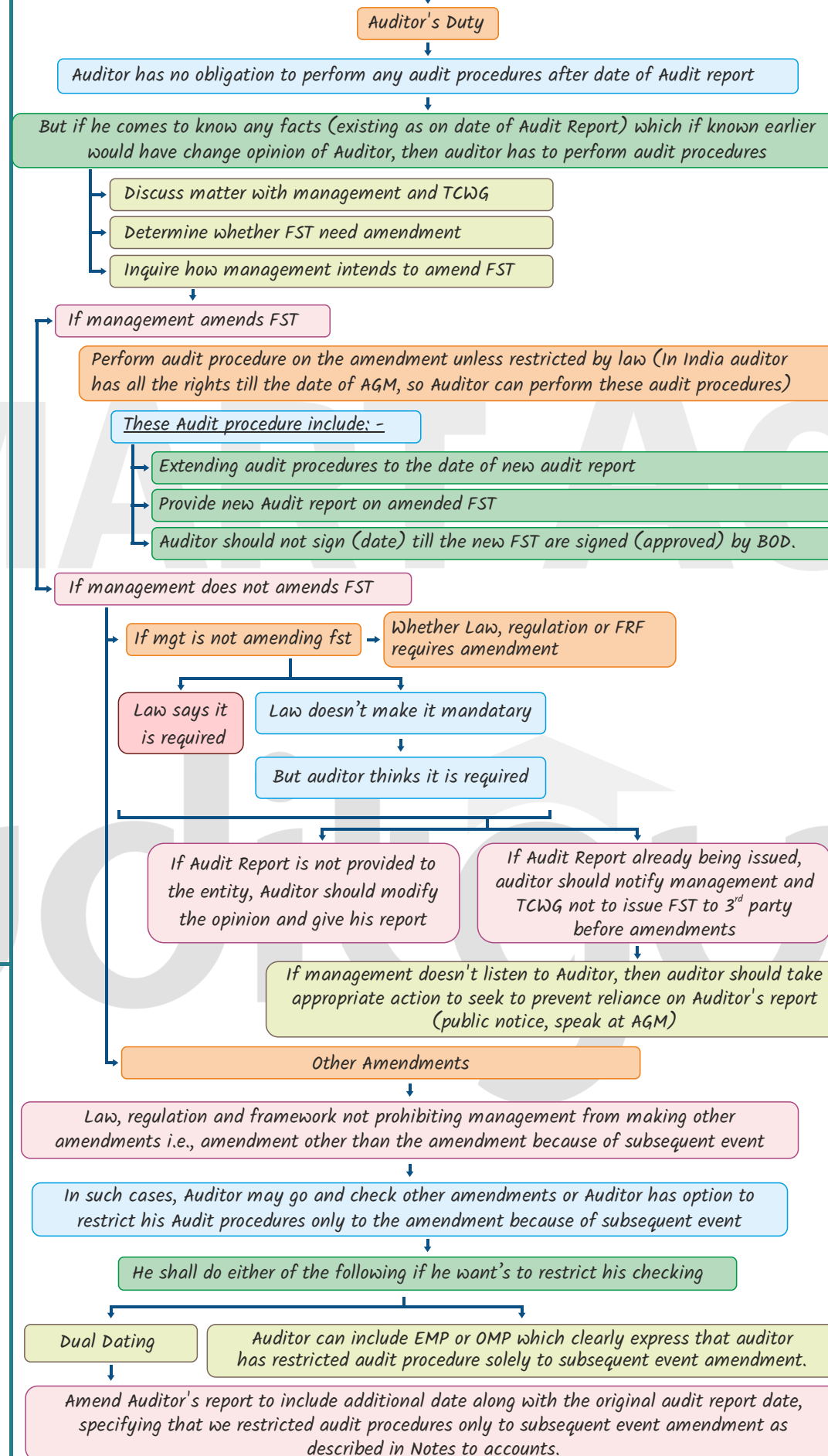
EVENTS OCCURRING BETWEEN THE DATE OF FST AND THE DATE OF AUDITOR'S REPORT



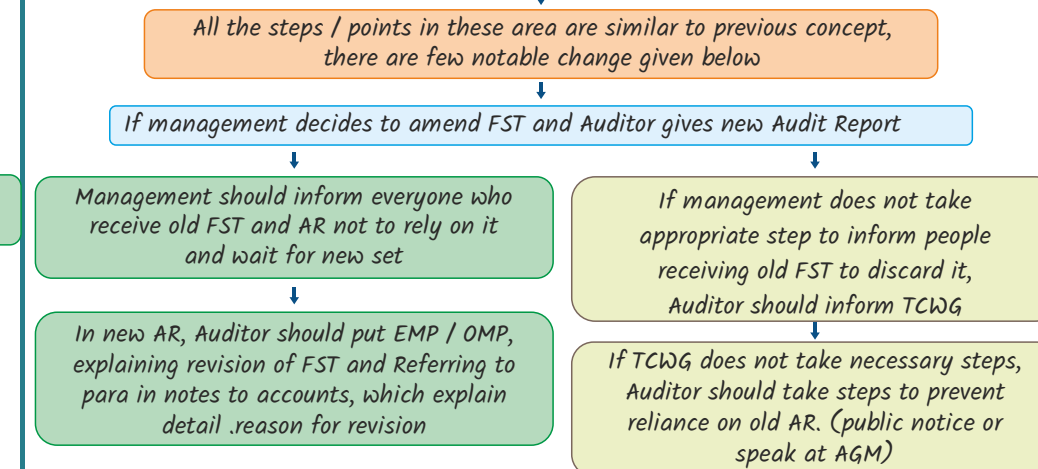
MATTERS WHICH SHOULD BE INCLUDED WHILE INQUIRING SUBSEQUENT EVENTS



FACTS WHICH BECAME KNOWN TO THE AUDITOR AFTER THE DATE OF AUDITOR'S REPORT BUT BEFORE THE DATE OF FST ARE ISSUED



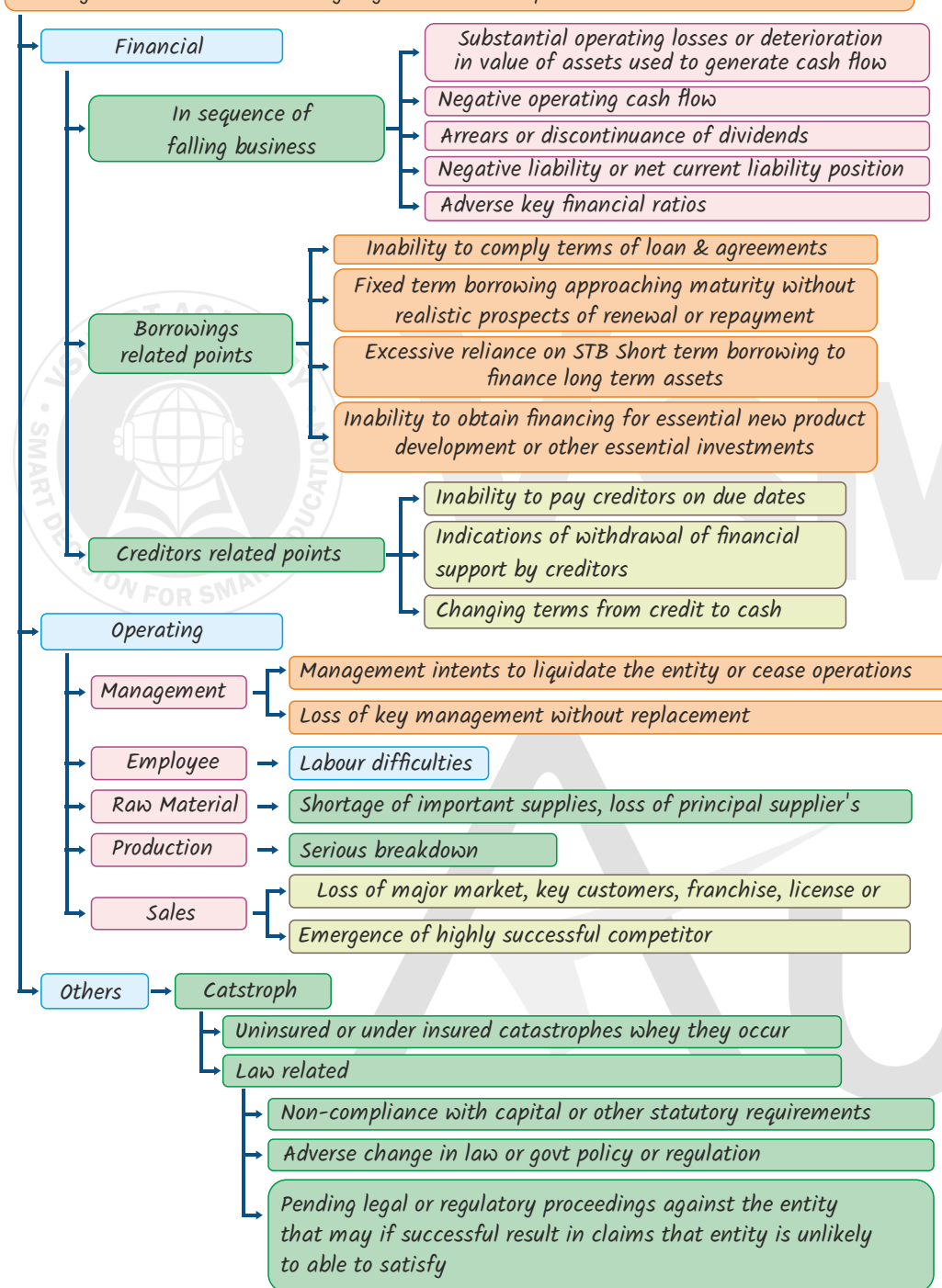
FACTS WHICH BECAME KNOWN TO THE AUDITOR AFTER THE FST HAVE BEEN ISSUED



STEP 1

Events or condition may cast significant doubt over going concern

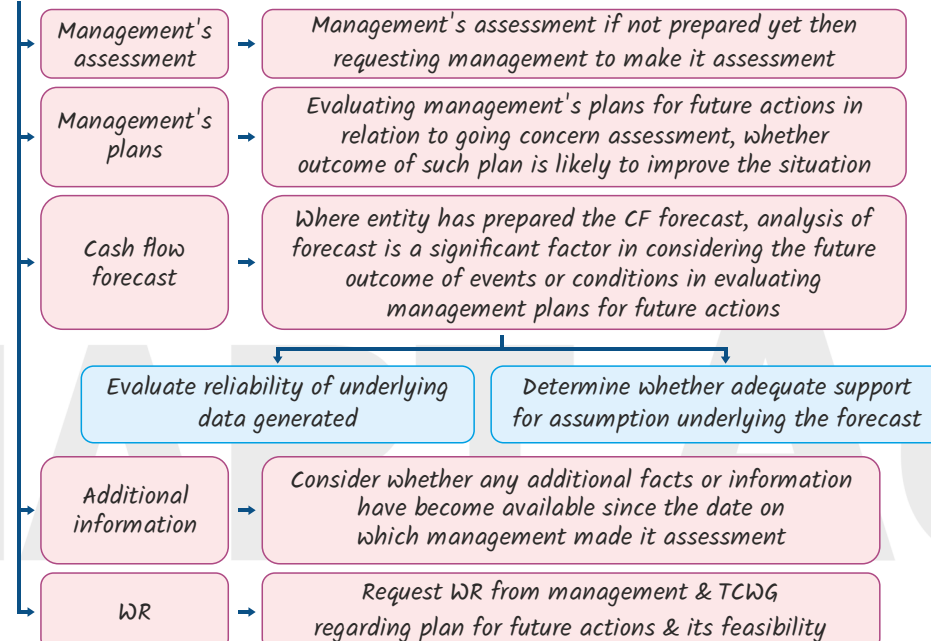
Few examples of events or condition that individually or collectively may cast significant doubt about the going concern assumption



STEP:- 2 ADDITIONAL AUDIT PROCEDURES WHEN EVENTS OR CONDITIONS ARE IDENTIFIED

If events or conditions identified that may cast significant doubt on entity's ability to continue as going concern, Auditor shall obtain SAAE to determine whether or not a material uncertainty exists through performing additional audit procedures including consideration of mitigating factors

Compulsory Audit Procedures



STEP 3: - CONCLUSION & REPORTING

Events or Conditions may cast significant doubt over going concern identified

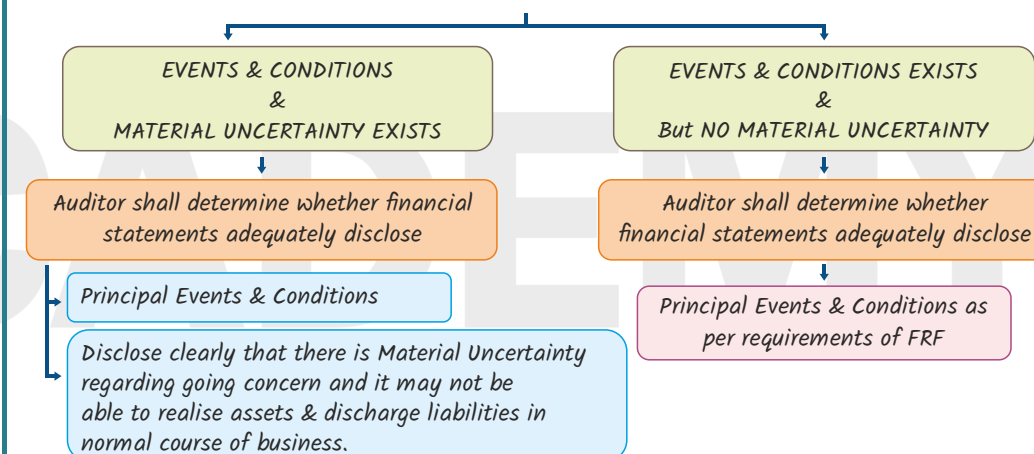
PART I

Additional procedures were performed as per SA 570

After collection of sufficient & appropriate evidence auditor shall first conclude about WHETEHR ***MATERIAL UNCERTAINTY EXISTS? relating to events or conditions may cast significant doubt over going concern

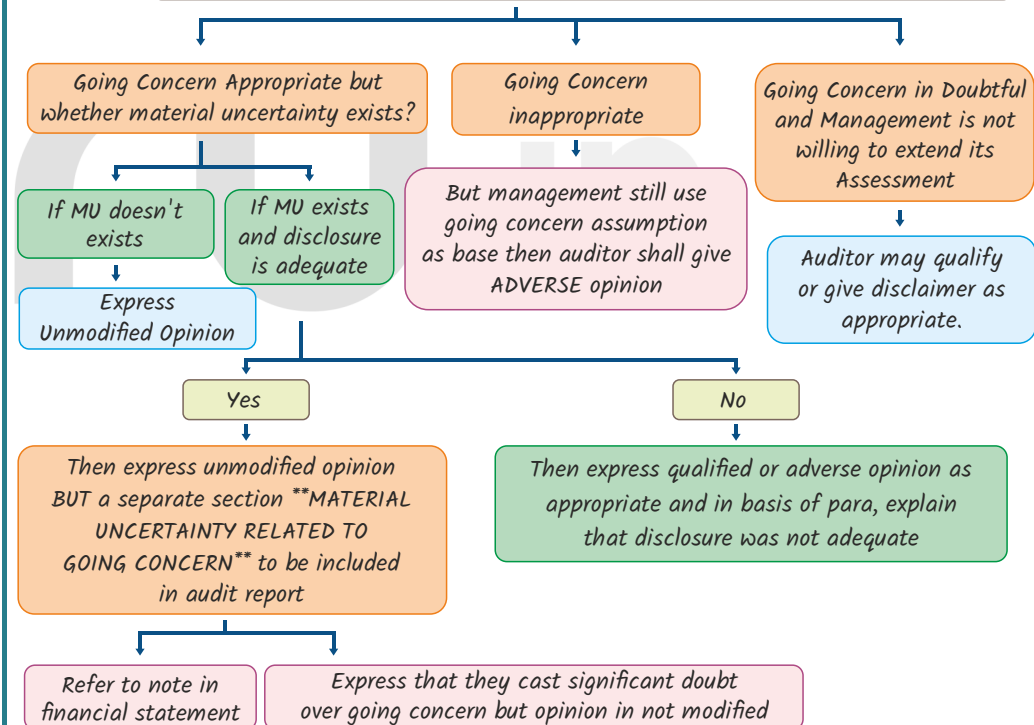
***Material Uncertainty

A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgement, appropriate disclosure of the nature and implications of the uncertainty is necessary

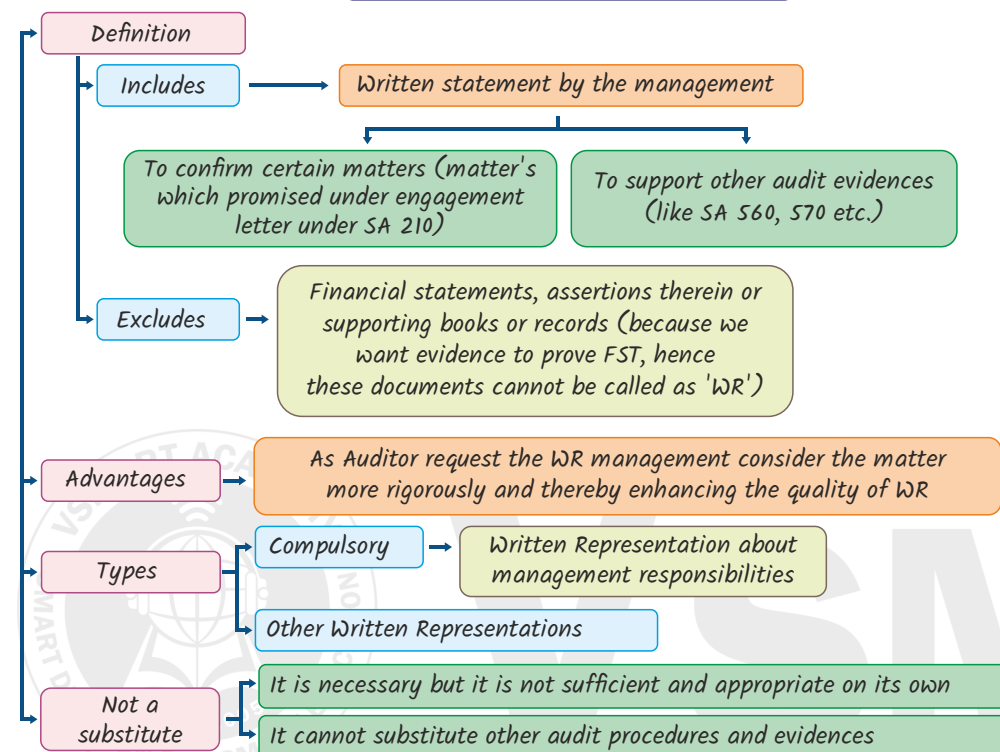


PART 2

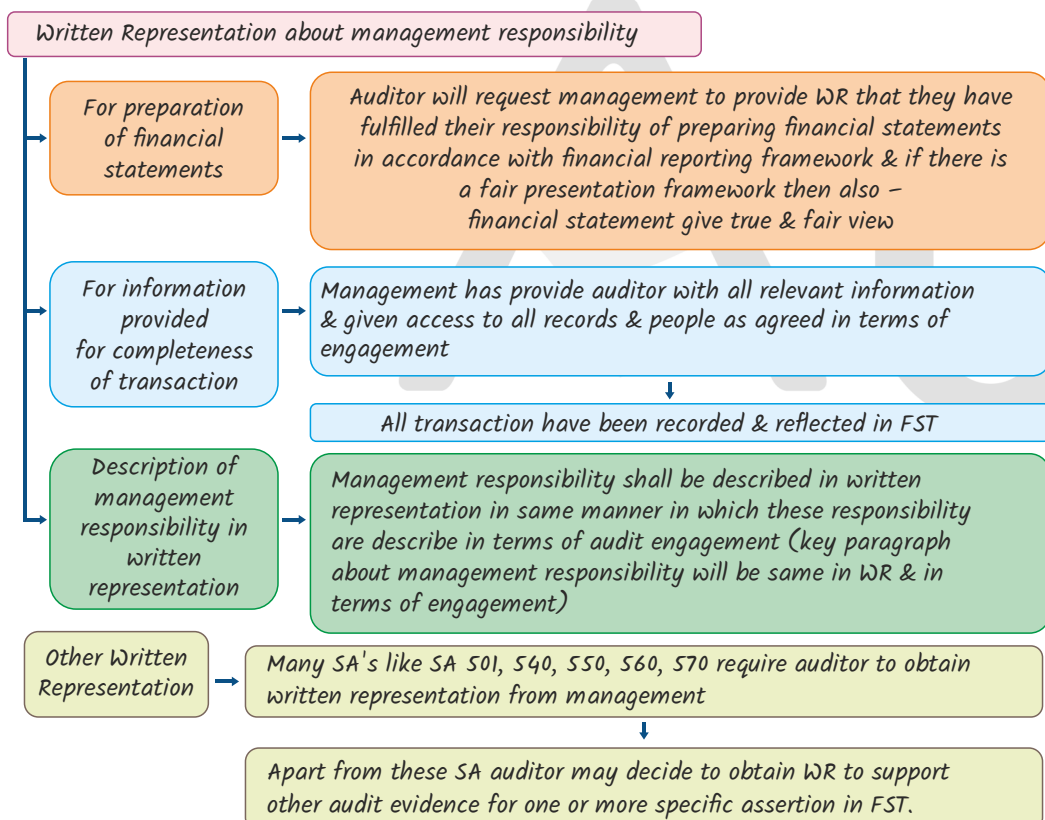
After concluding about Material Uncertainty & its treatment, auditor should evaluate about going concern and its implications on audit report



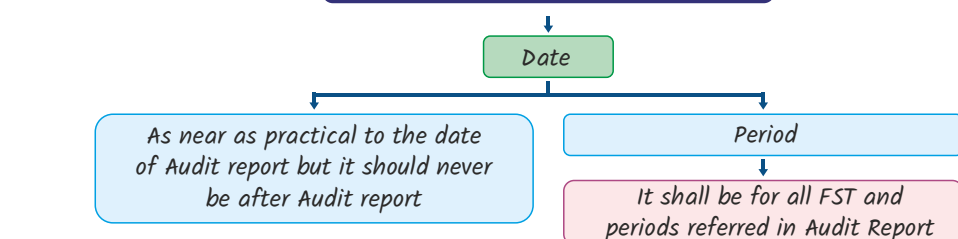
WRITTEN REPRESENTATIONS



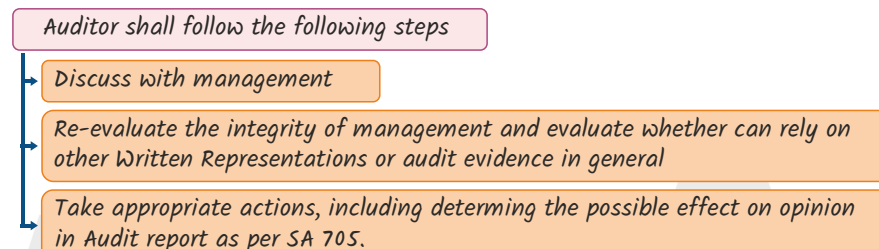
TYPES OF WRITTEN REPRESENTATION



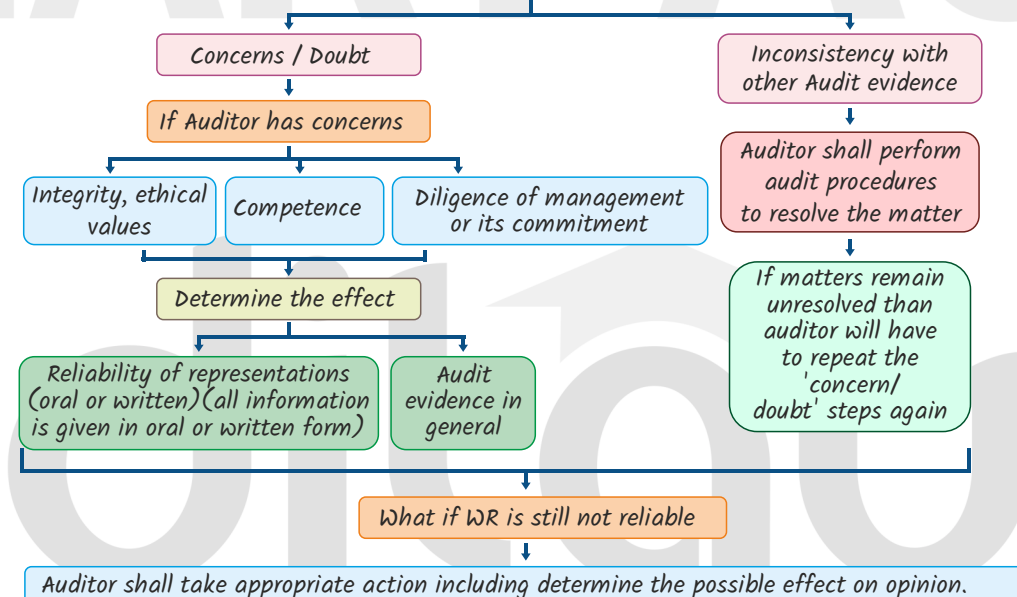
DATE AND PERIOD COVERED



REQUESTED WRITTEN REPRESENTATION NOT PROVIDED



DOUBT AS TO RELIABILITY OF WRITTEN REPRESENTATION

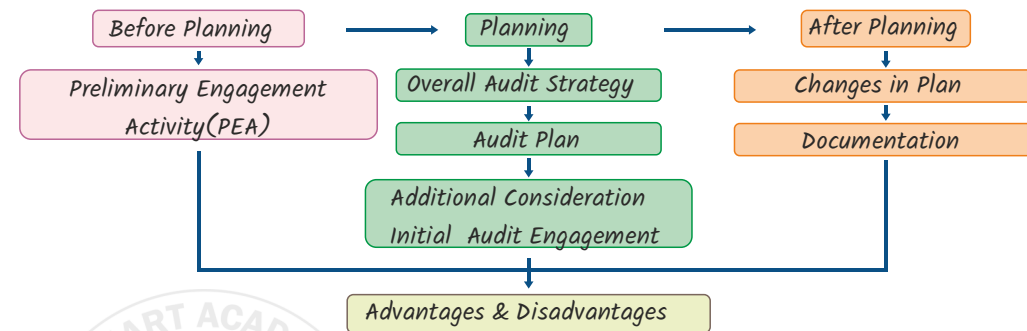


CHAPTER 02

AUDIT PLANNING, STRATEGY AND EXECUTION

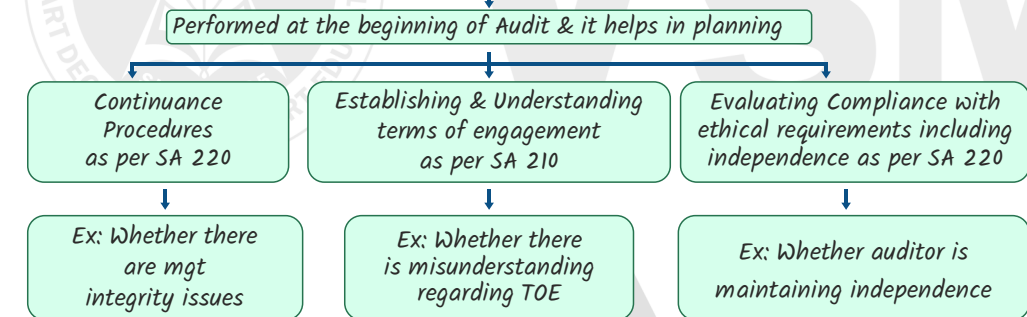
CNO—SA300.010

Part I -- SA 300



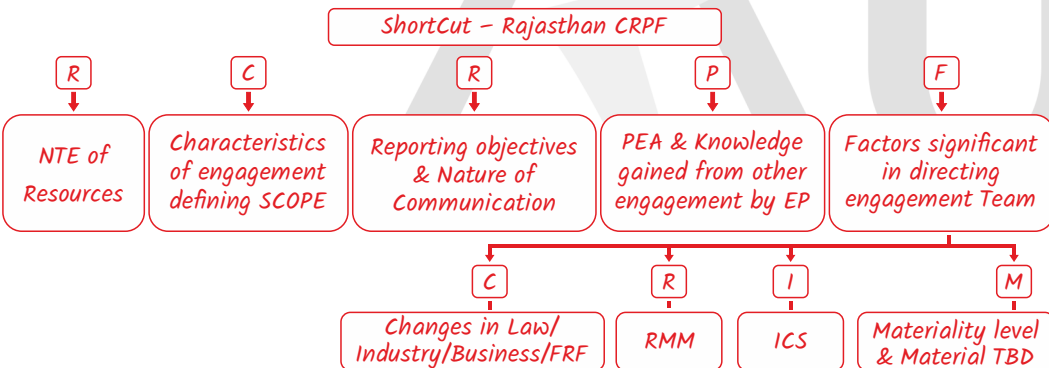
CNO—SA300.020

PRELIMINARY ENGAGEMENT ACTIVITIES (PEA)



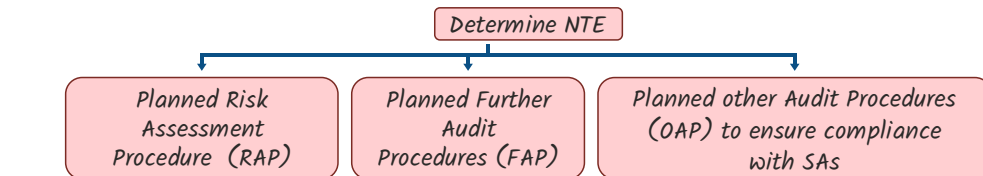
CNO—SA300.040

ESTABLISHING OVERALL AUDIT STRATEGY (OVERALL AUDIT PLAN)



CNO—SA300.060

DEVELOPING AUDIT PLAN

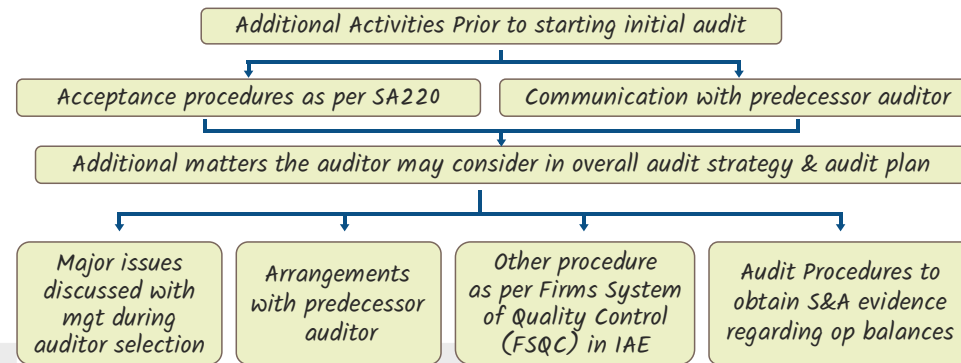


CNO—SA300.080

QNO—30.000

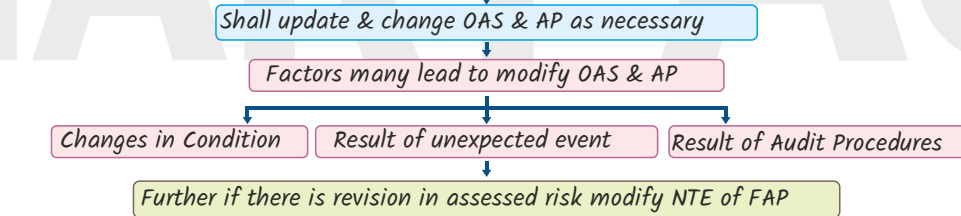
MCQ—300.4/300.9

ADDITIONAL CONSIDERATION IN INITIAL AUDIT ENGAGEMENT (IAE)



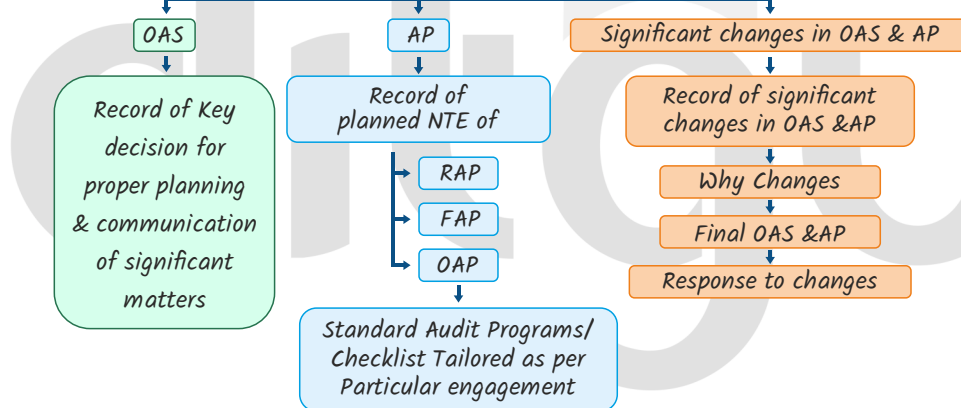
CNO—SA300.100

CHANGES TO PLANNING DECISIONS



CNO—SA300.140

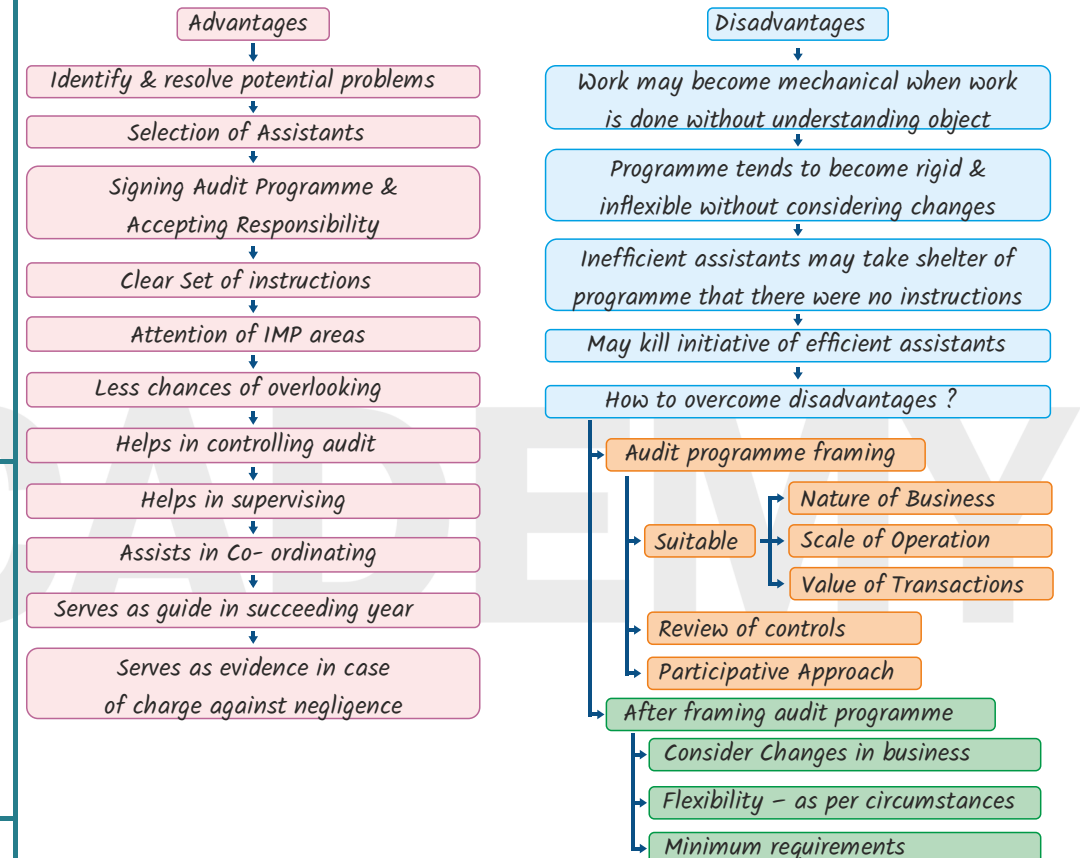
DOCUMENTATION OF AUDIT PLAN



CNO—SA300.120

QNO—30.320

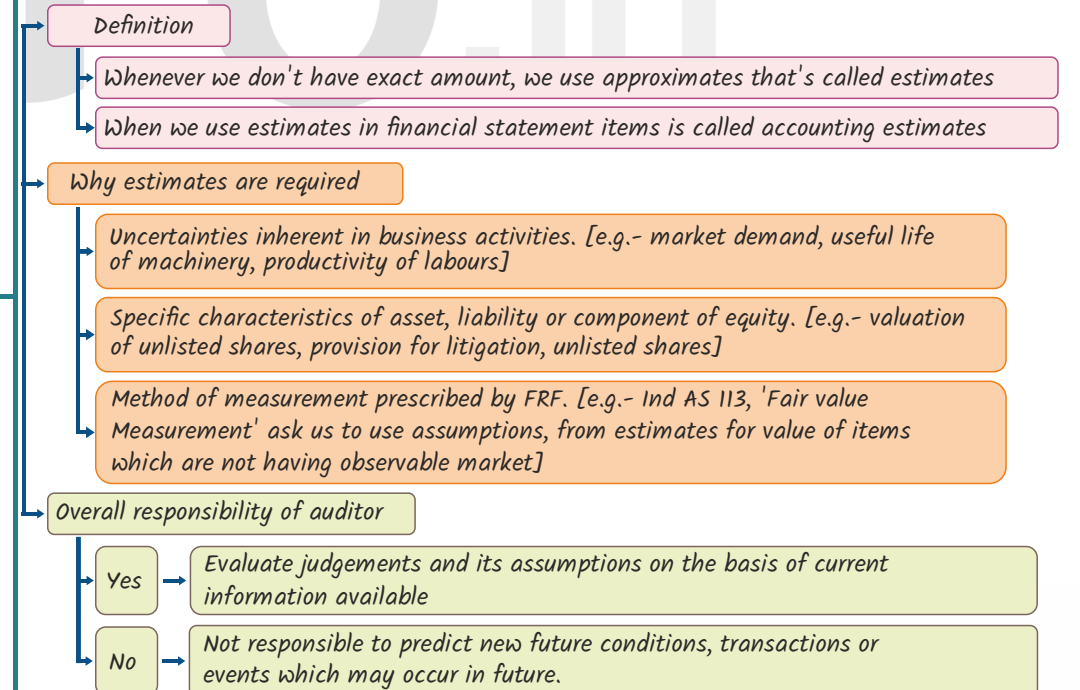
ADVANTAGES & DISADVANTAGES OF PLANNING



CNO—SA540.020

Part 2 -- SA 540

NATURE OF ACCOUNTING ESTIMATES



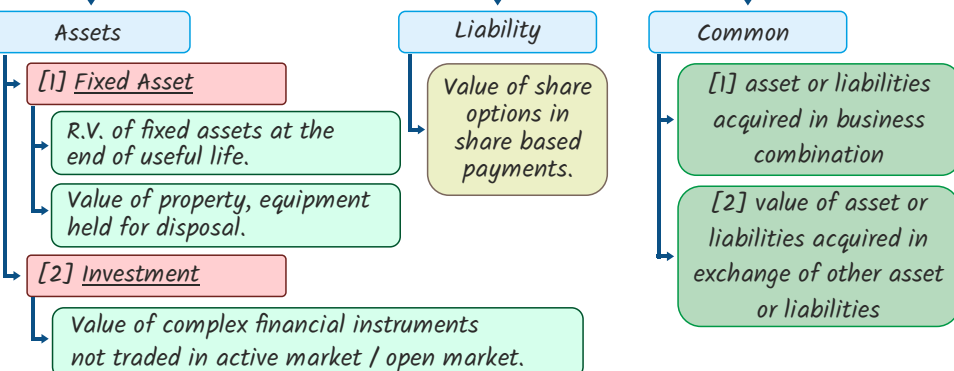
TYPES OF ACCOUNTING ESTIMATES

Fair value accounting estimates

It includes fair value, where there is estimation uncertainty [that means chances that actual outcome will be different from the estimated amount]

Fair value means estimating market price at which asset will be sold or liability will be transferred.

[Using Balance Sheet sequences to remember examples]

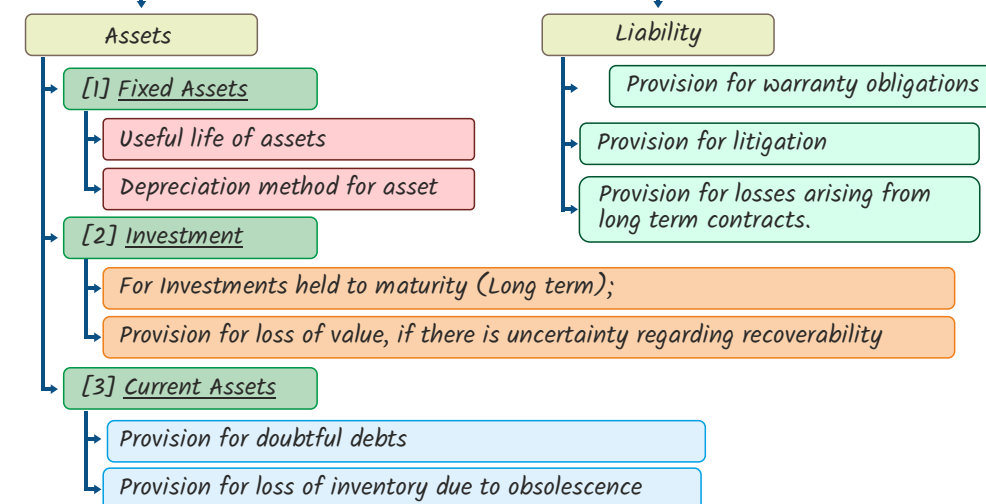


Other accounting estimates

It includes estimates other than fair value accounting estimates where there is estimation uncertainty

Whenever we are estimating any amount other than market price of asset or liability

[Using Balance Sheet sequences to remember examples]



CNO—SAS40.040

STEP 1

RISK ASSESSMENT PROCEDURES AND RELATED ACTIVITIES FOR ACCOUNTING ESTIMATES

Introduction

SA 315, tell us about what overall information and understanding should be obtained for a particular entity to identify RMM.

SA 540, tell us what understanding should be obtained to identify and assess risk for accounting estimates.

Overall information to be collected for all estimates

How mgt identifies transactions, events and condition (TEC) which gives rise for recognizing or disclosing new accounting estimates or revising existing accounting estimate

Auditor shall enquire of mgt about **CHANGES IN CIRCUMSTANCES** that may give rise to new or revise existing accounting estimate

Obtain list of accounting estimates and related disclosure along with important requirements of applicable FRF.

Specific information to understand how mgt calculate & determine accounting estimates

Understand relevant ICS

Understand data used & its source

Understand assumptions & their basis

Which method or model is used for computing estimates and whether there is any change from prior period method or model

Whether mgt has used experts

Special Point

Estimation Uncertainty

Whether and how management assessed estimation uncertainty

Review of Prior Period Estimates

It is mandatory for Auditor to review outcome of previous year accounting estimate or their subsequent re-estimation.

Nature and extent depend upon nature of accounting estimates & its relevance (connection) with the current period accounting estimates.

Review not intended to judge whether prior period estimates properly computed.

CNO—SAS40.060, SAS40.080

STEP 2

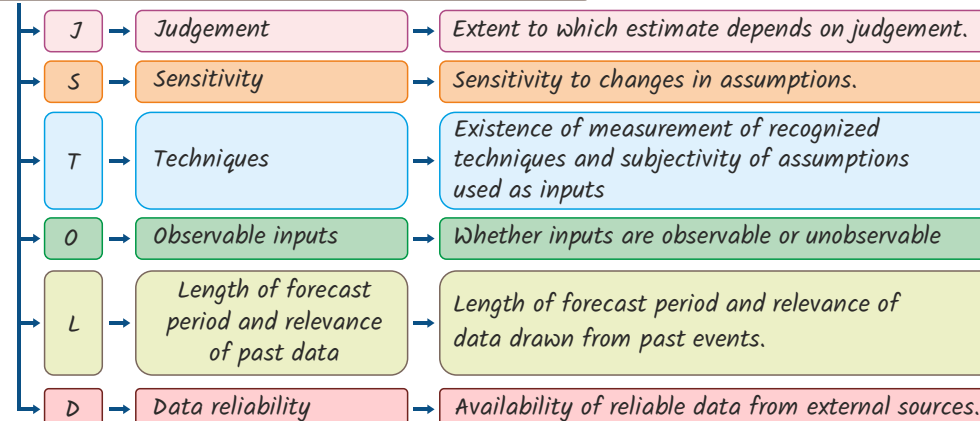
IDENTIFYING AND ASSESSING THE RISK OF MMST

Basic Principle

Auditor shall evaluate degree of estimation uncertainty associated with accounting estimates

If we identify high estimation uncertainty than it is considered as area of significant risk.

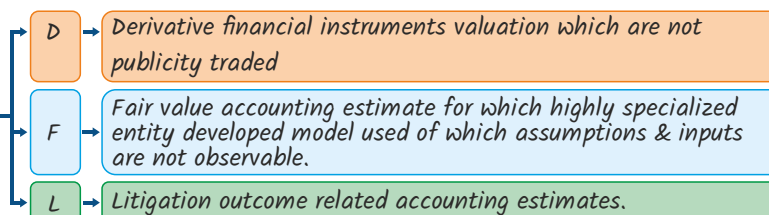
Factor affecting estimation uncertainty [JST OLD]



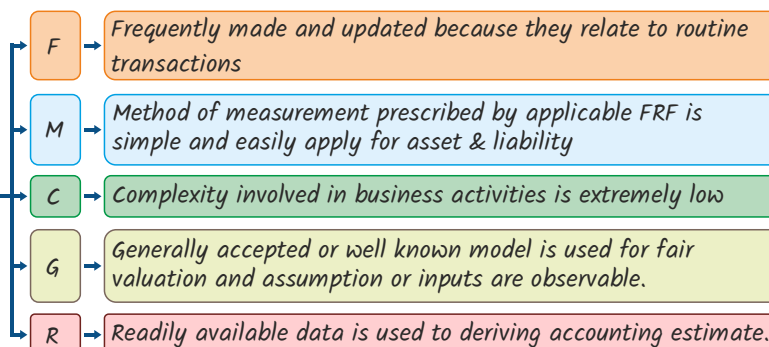
*Higher the degree of estimation uncertainty, more are the chances that mgt may use these particular area for manipulation that means it is susceptible to mgt bias.

CNO—SAS40.100

High estimation uncertainty (DFL) Examples



Low estimation uncertainty (FMCG ki report) Examples



CNO—SAS40.120

STEP 3

RESPONSE TO ASSESSED RISK OF MMST

Auditor Responsibility

Method

Check whether method is appropriate

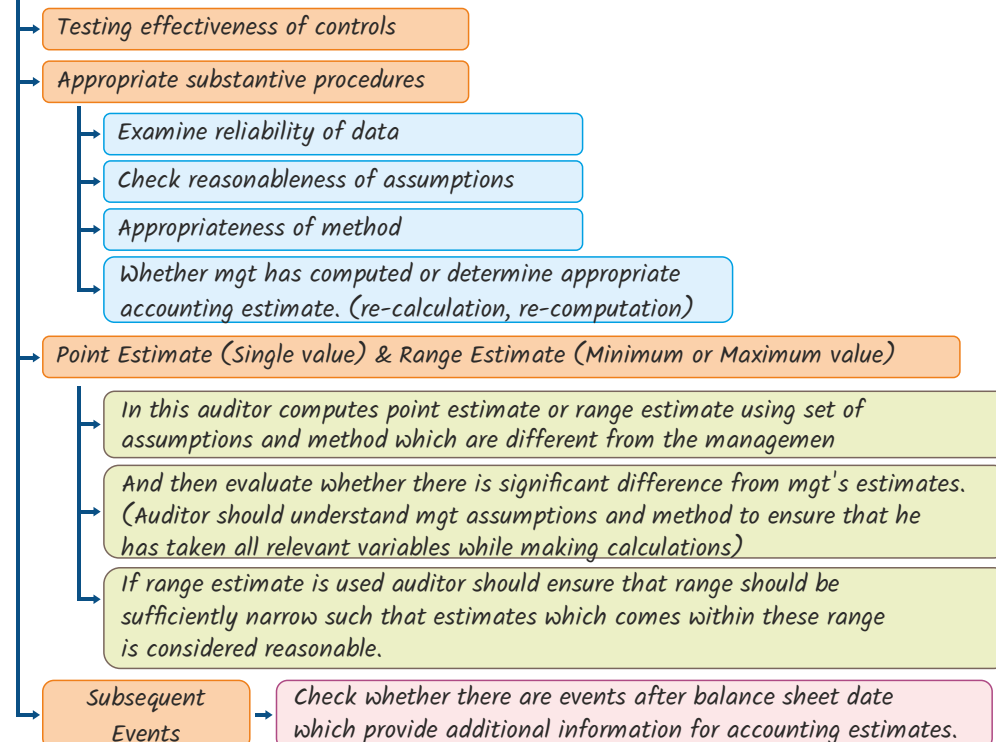
Whether consistently followed

If there are changes, whether changes are appropriate in the circumstances

Applicable FRF

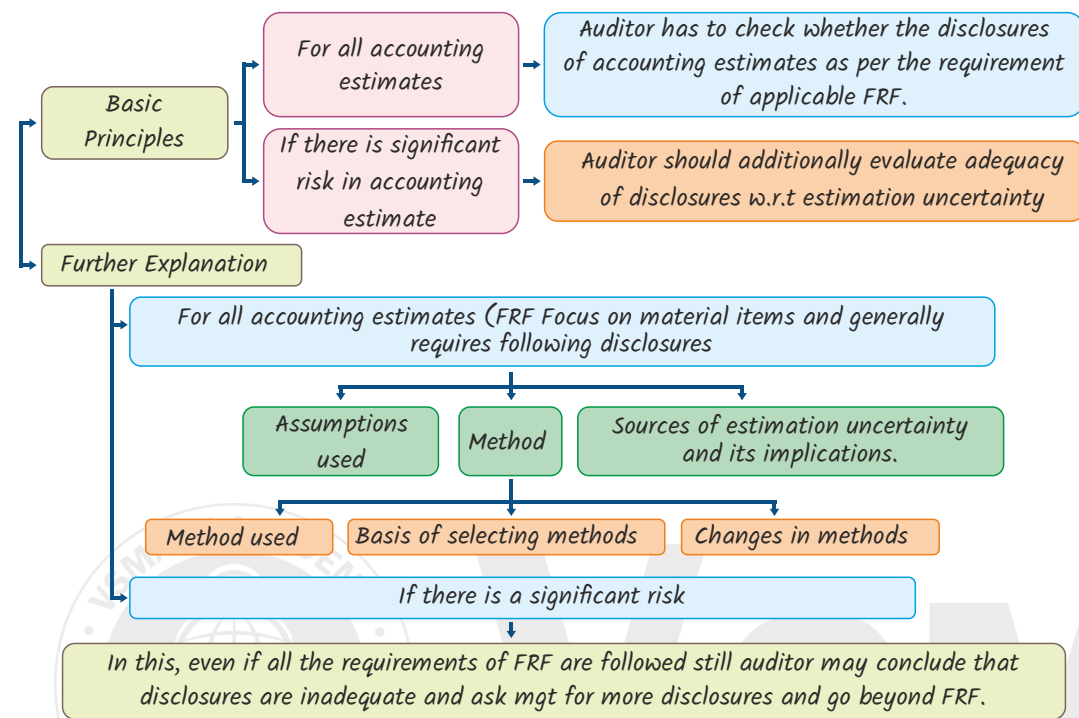
Check whether relevant requirements are fulfilled.

Audit procedures to achieve above responsibility (One or more of the following should be applied)



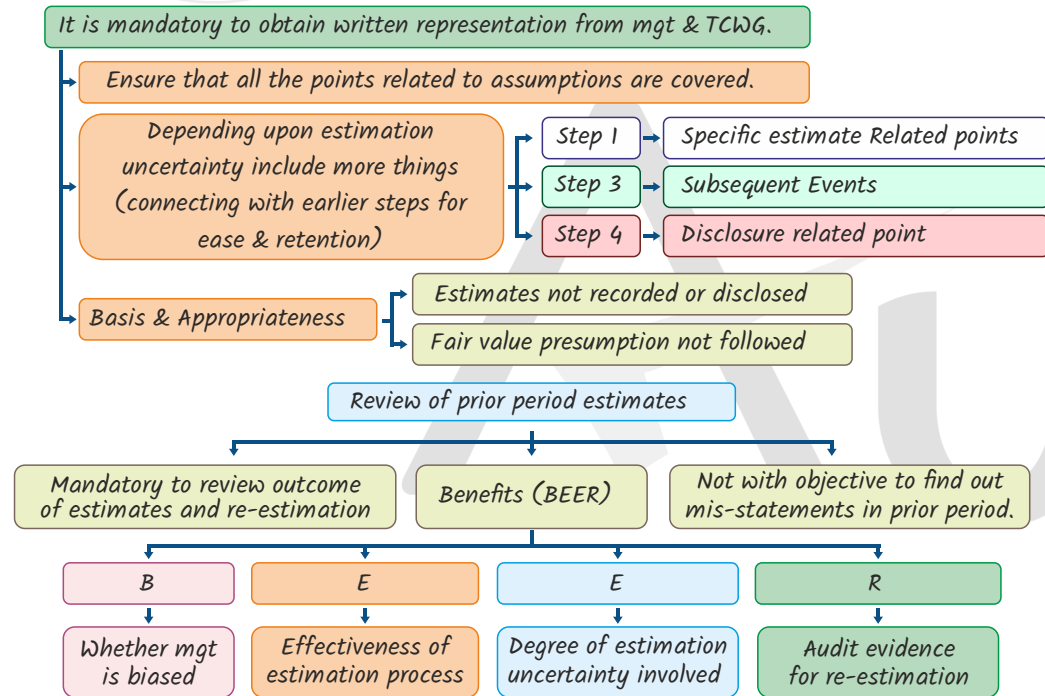
STEP 4

DISCLOSURE RELATED TO ACCOUNTING ESTIMATES



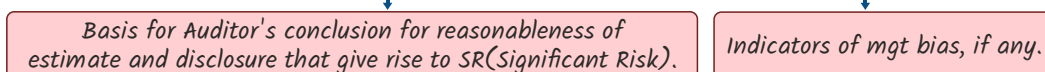
STEP 5

WRITTEN REPRESENTATION



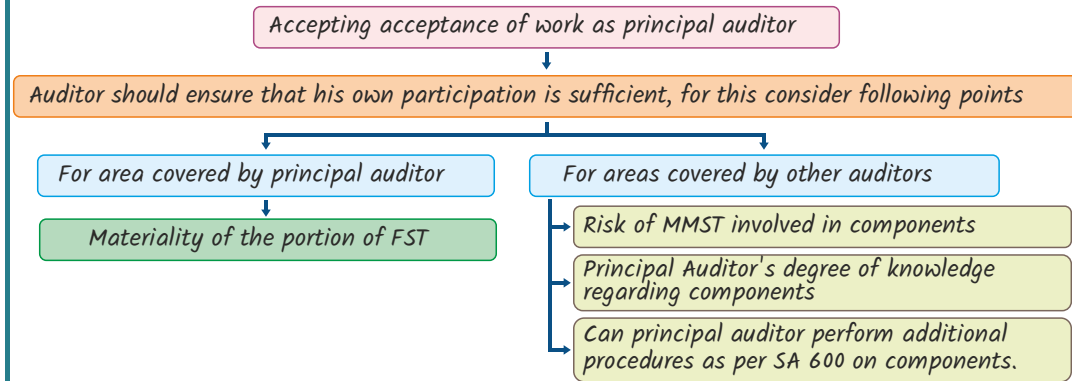
STEP 6

DOCUMENTATION

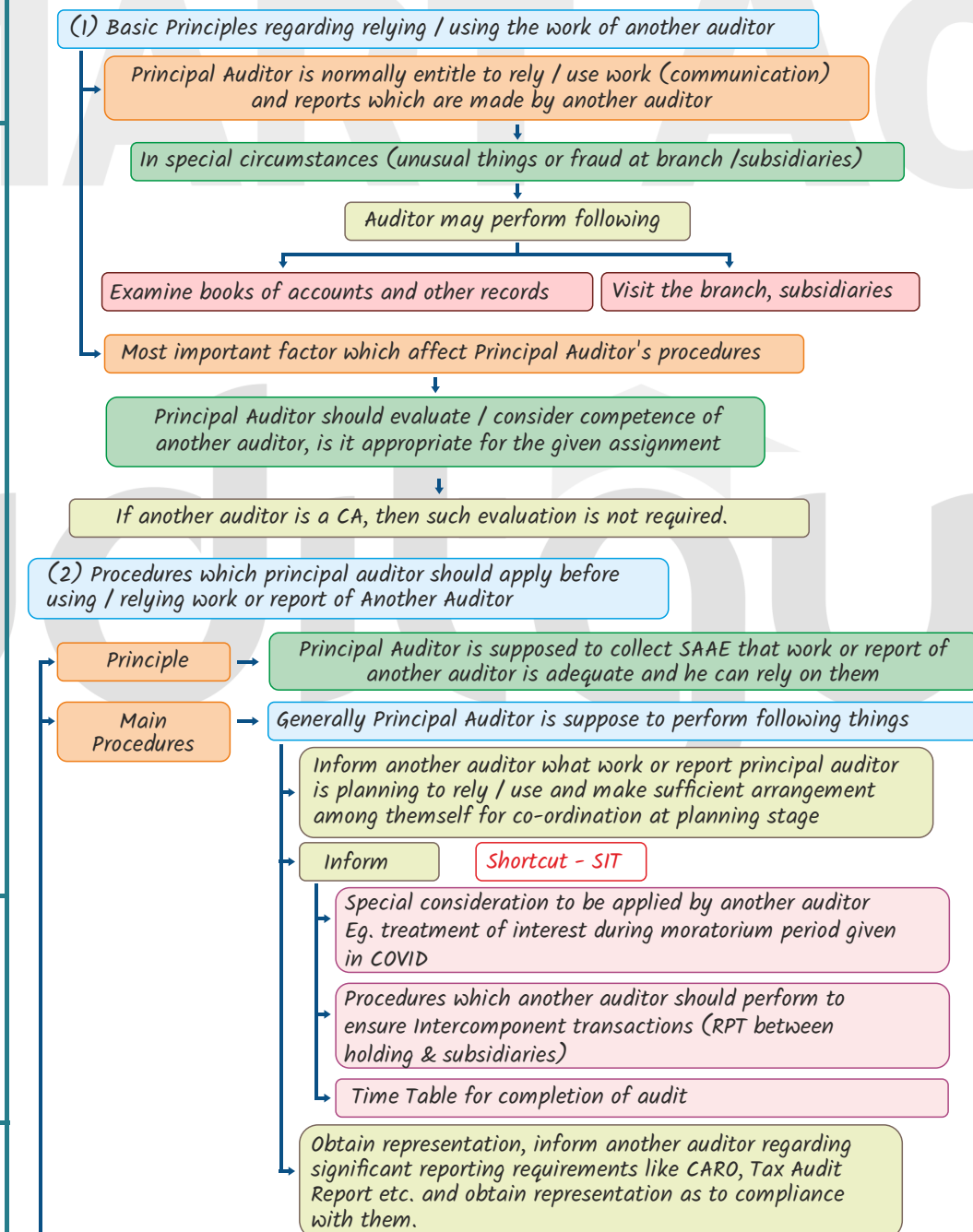


Part 3 -- SA 600

USING THE WORK OF ANOTHER AUDITOR



PRINCIPAL AUDITOR'S PROCEDURES



Additional procedures that may be applied

- Might discuss audit procedures applied
- Review written summary of another auditor's procedures & findings
- Review findings of completed questionnaire or checklist
- Visit another auditor
- Application of above procedures will depend on circumstances of engagement and professional competence of other auditor
- Principal auditor may not apply all this additional procedures, if he thinks he has SAAE that other auditor has good quality control procedures & policy for conducting their work.

(3) Significant Findings

- Principal auditor should consider significant findings of other auditor
- Principal auditor may perform following things for findings
 - Discuss with other auditor and management of component regarding audit findings
 - Decide supplemental test of records, FST to be performed
 - These tests can be performed either by principal or other auditor

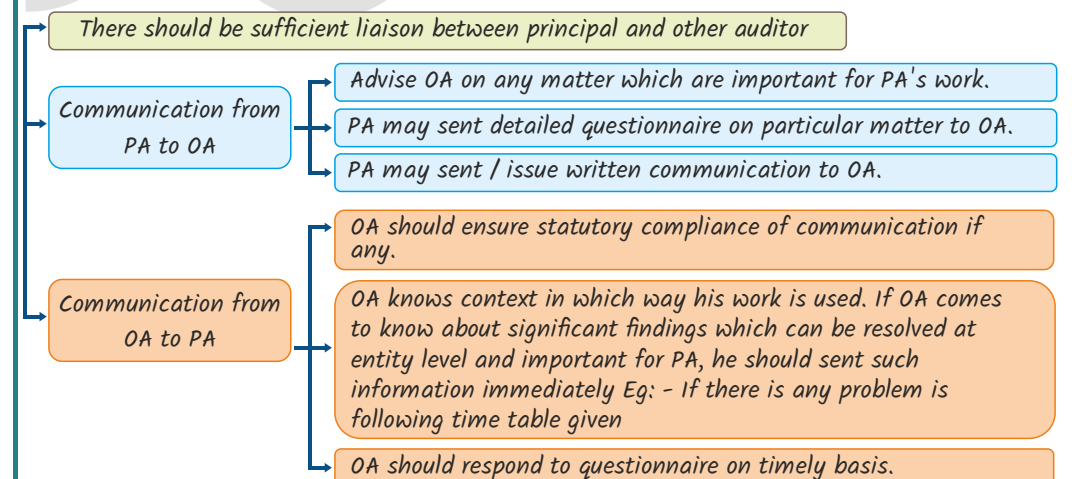
(4) Importance of above procedure in particular circumstances

- If another auditor is not professionally qualified which may happen in case of foreign branches, importance of all the above procedures increases drastically

(5) Documentation

- List of components audited by another auditor's
- Significance of each of these components like there total T/O, Profits, Assets.
- Who performed their audit
- Conclusions and nature of reports received from another auditor
- Audit procedures applied by principal auditor before relying / using the work or reports
- If report from another auditor is modified then how principal auditor dealt with such things while framing his own report.

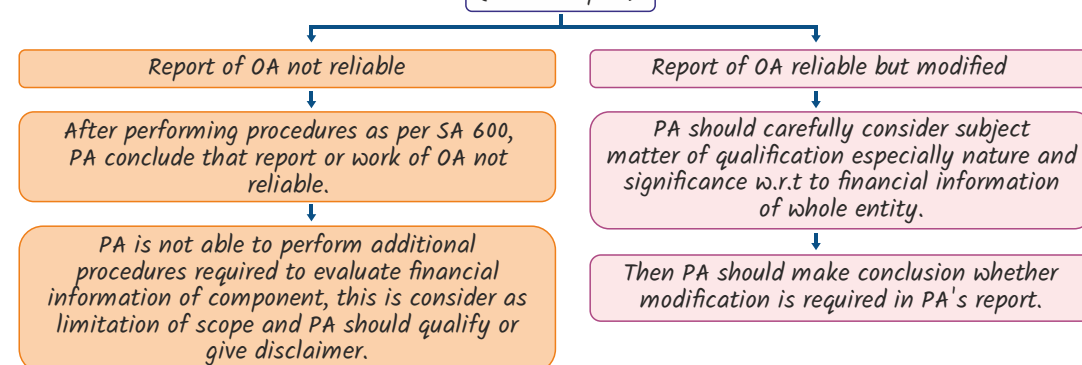
CO-ORDINATION BETWEEN THE AUDITORS



CNO—SA600.100

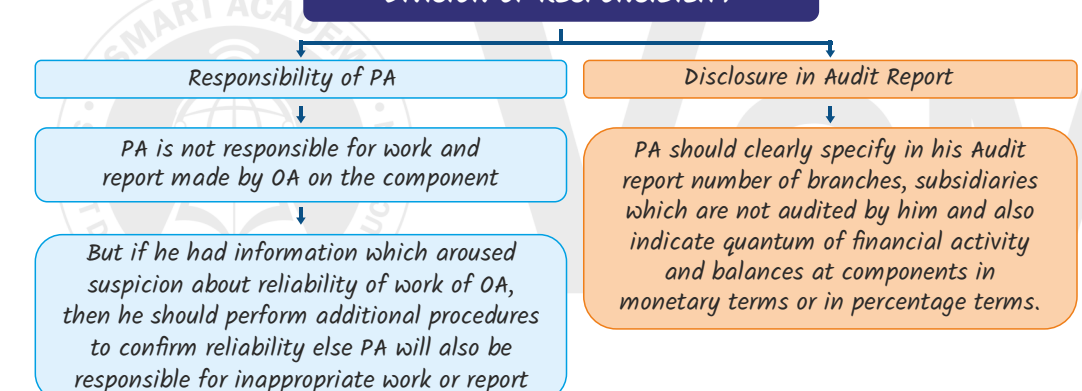
REPORTING CONSIDERATIONS

(How to report)



CNO—SA600.120

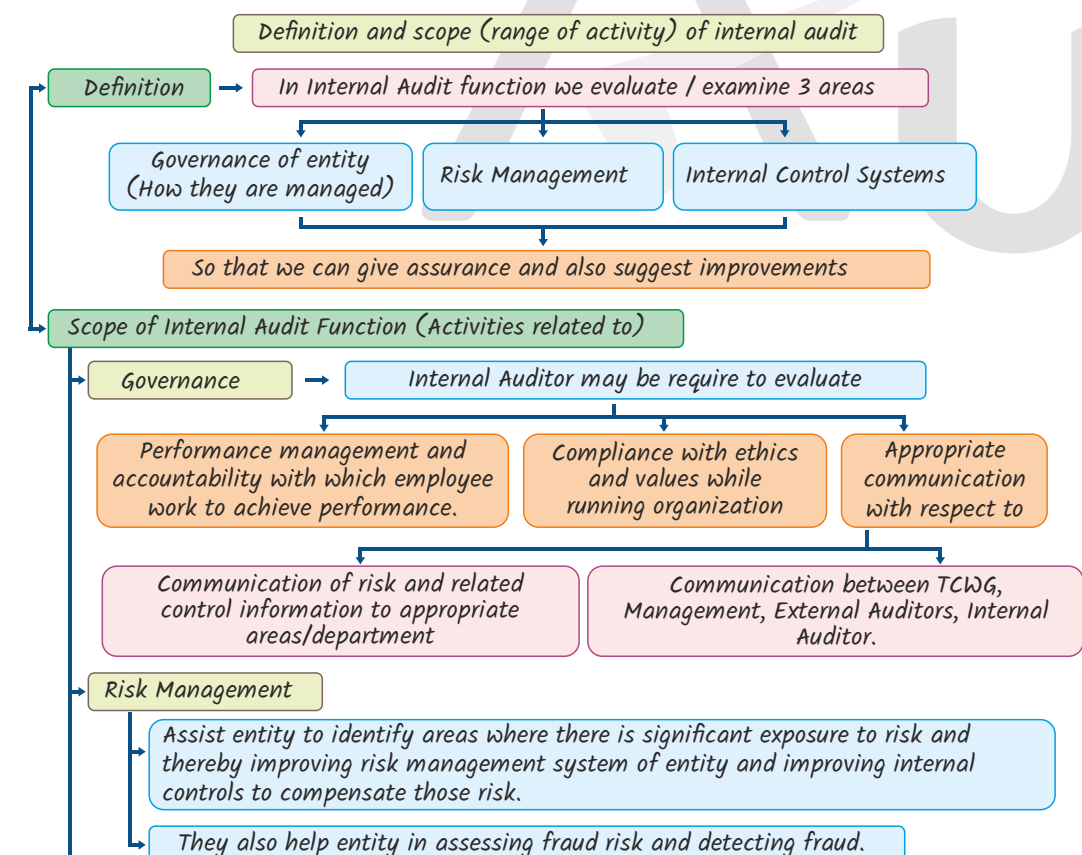
DIVISION OF RESPONSIBILITY



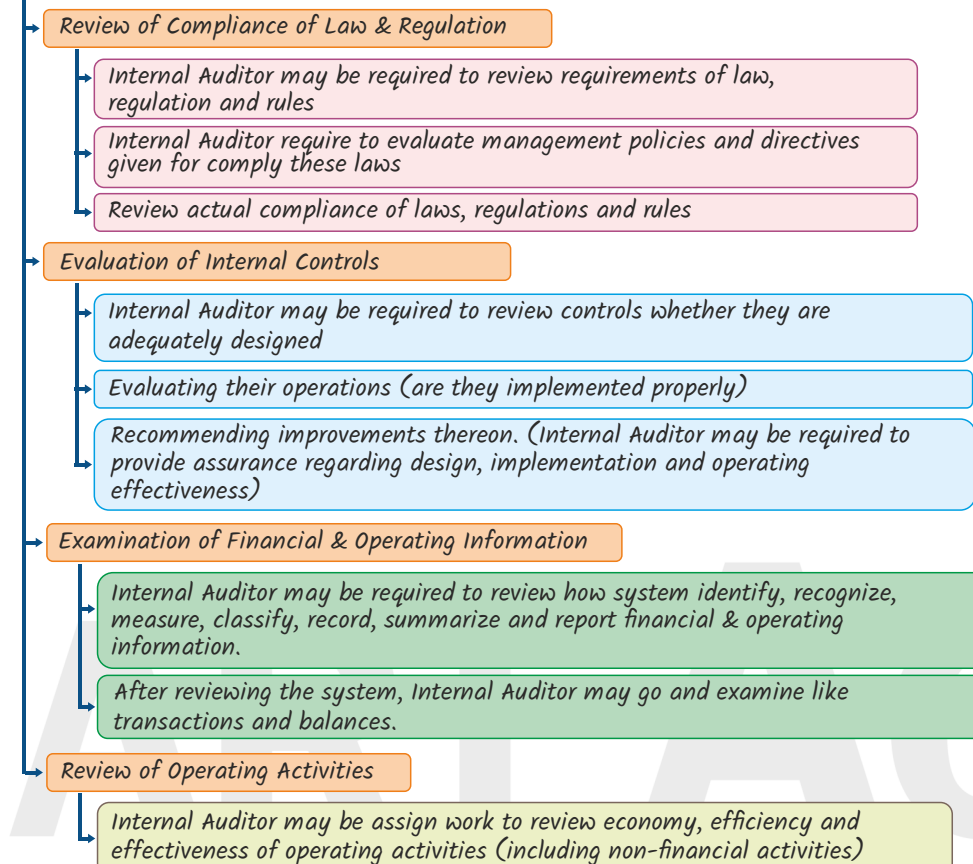
CNO—SA610.020

Part 4 -- SA 610

USING THE WORK OF INTERNAL AUDITORS



Internal Control (In sequence of Importance)

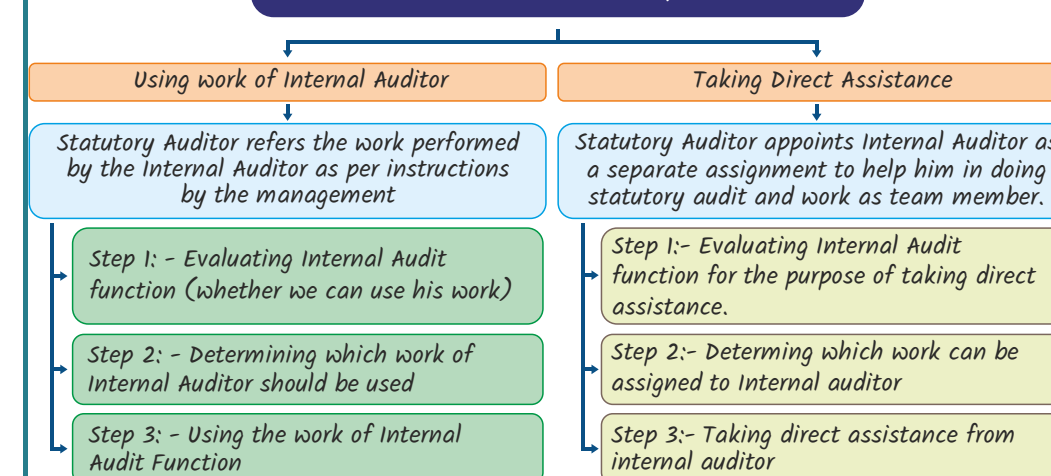


CNO—SA610.030

INTERNAL AUDIT AND EXTERNAL AUDIT

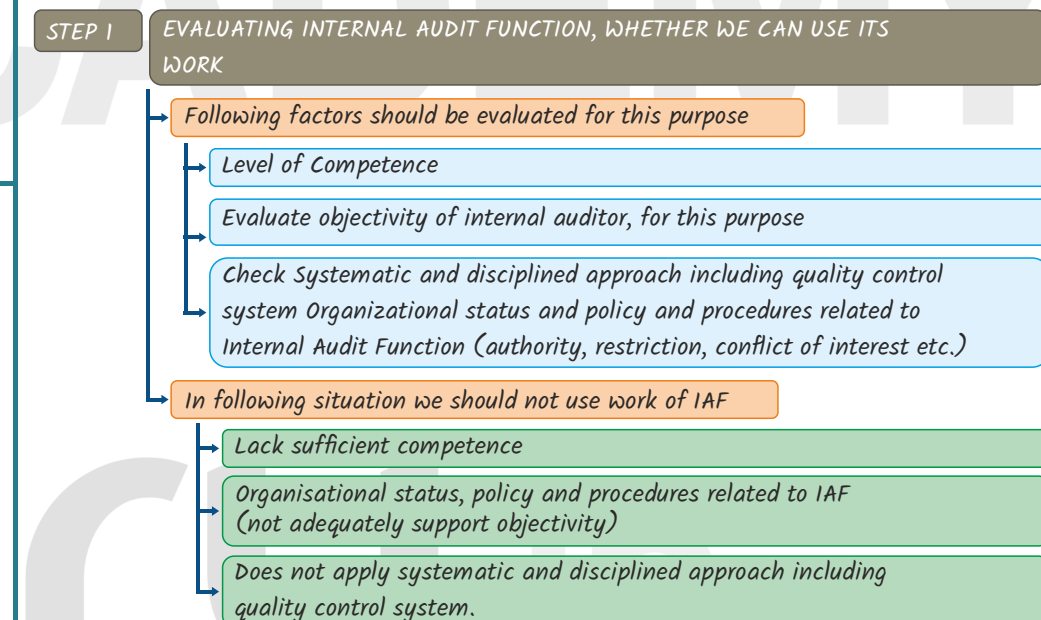
Particulars	Internal Audit	External Audit
Definition	In I.A. we evaluate 3 areas: - Governance of entity risk management, Internal control system so that we can give assurance and also suggest improvements	Systematic independent examination of financial records with ultimate objective to give opinion on FST whether they gave True & Fair view or not
Applicability	It is voluntary compulsory to some companies u/s 138	It is compulsory to companies, bank, insurance company, trust etc.
Auditor	CA, CWA such other professionals may or may not be in practice, may be employees	Qualifications and dis-qualifications are given in Companies Act Only CA in practice can do audit
Appointment	By Audit committee or BOD as the case may be	Generally by shareholders
Orientation	Management oriented	Oriented to the needs of users of FST and management
Scope of Work	As determined between management and internal auditor	Depends on law / SA's / terms of engagements
Format of Audit Report	No format prescribed guidelines given in SIA 4	Proper format is given to SA 700
Submission of Report	To the management	To the shareholders

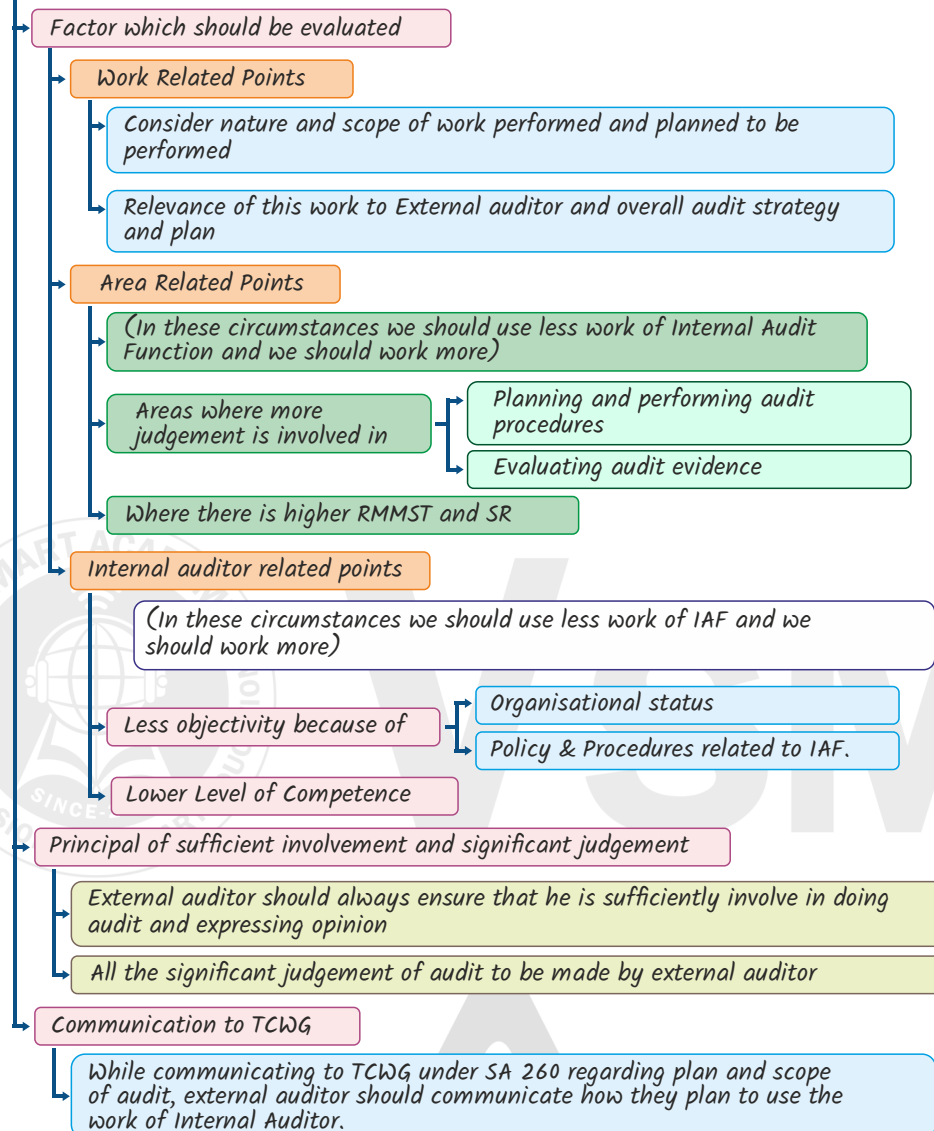
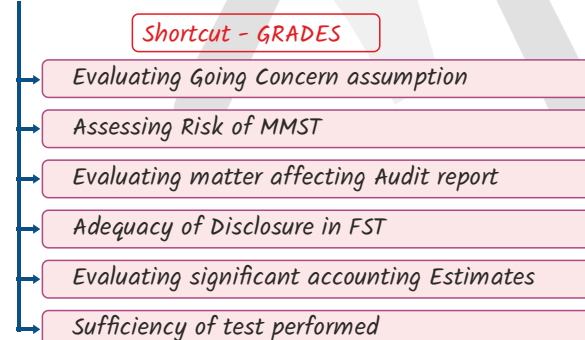
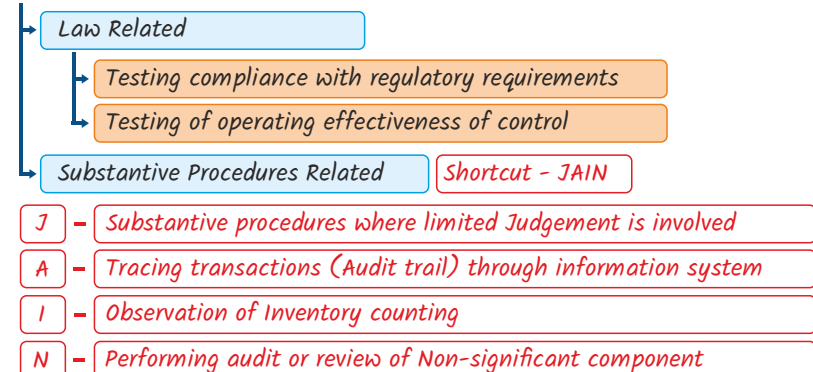
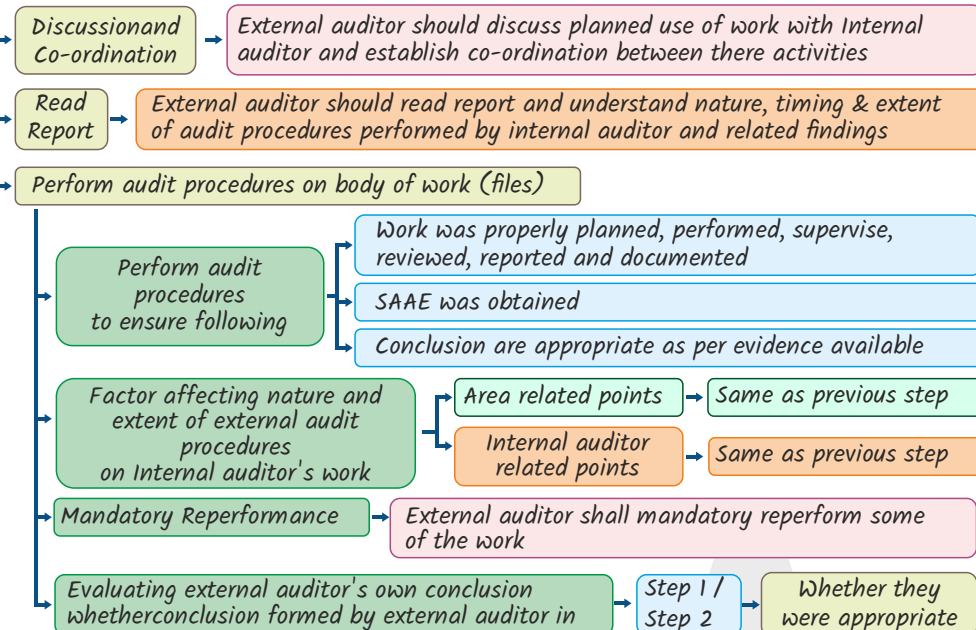
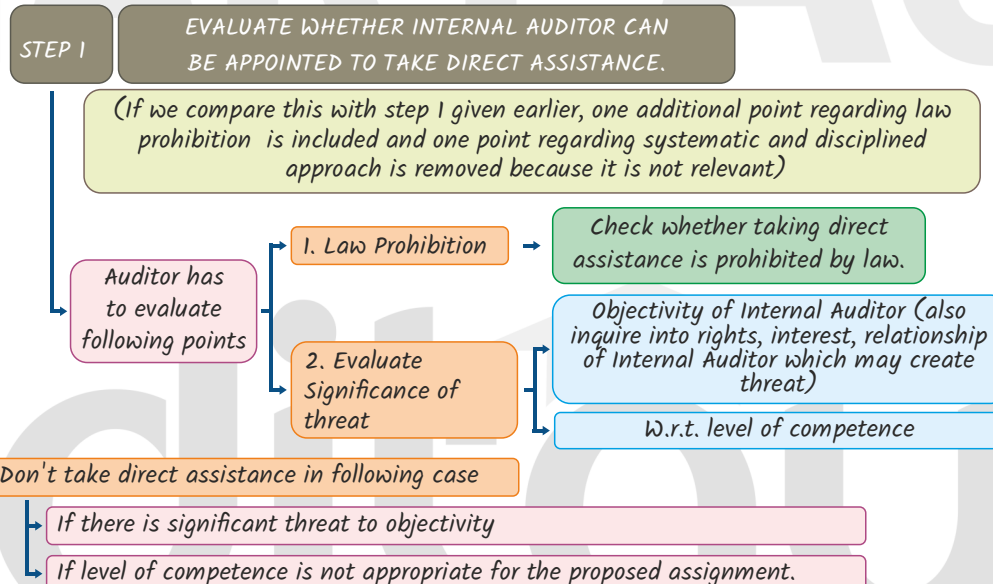
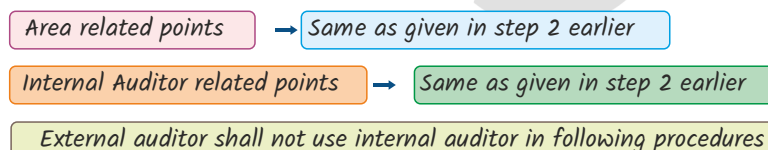
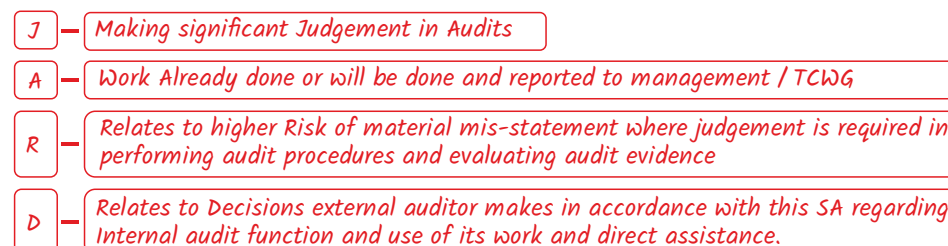
SA 610 EXPLAINS THAT STATUTORY AUDITOR CAN TAKE HELP OF INTERNAL AUDIT FUNCTION IN FOLLOWING TWO WAYS:-



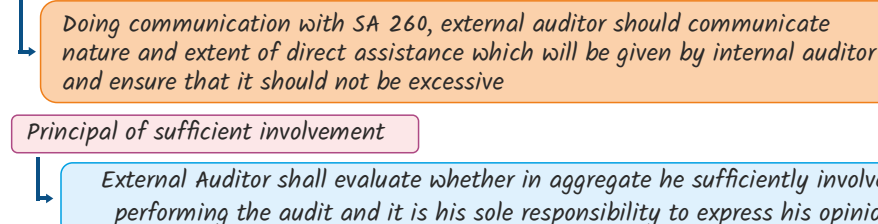
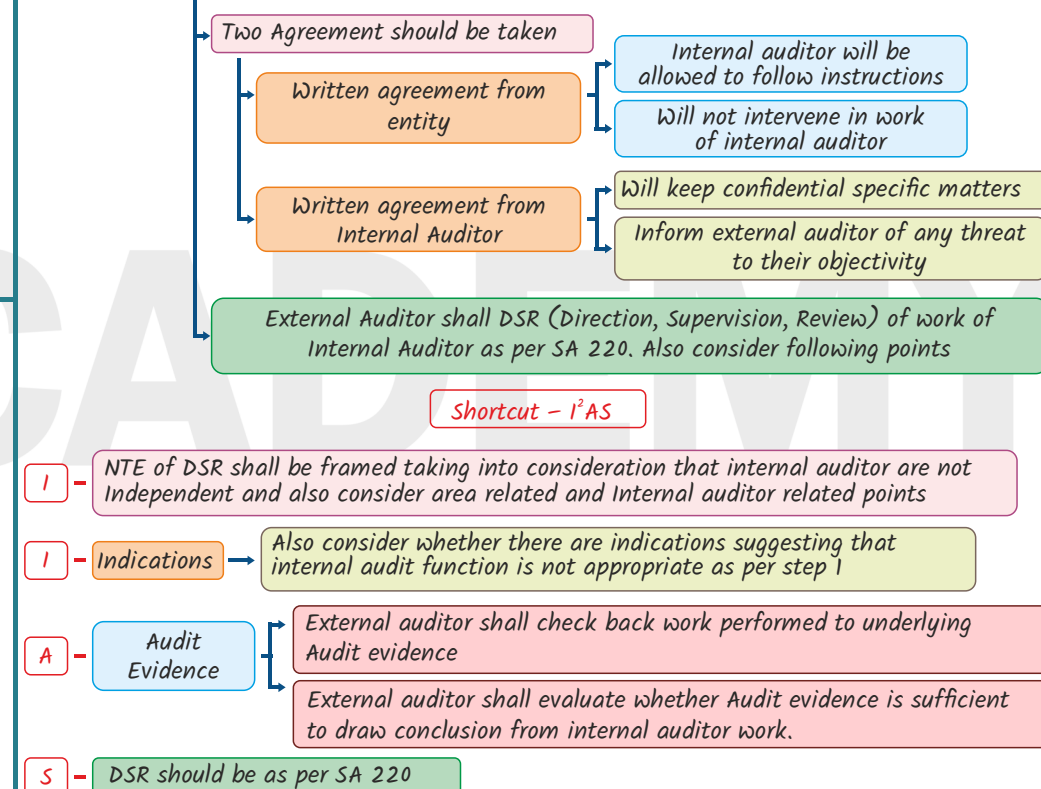
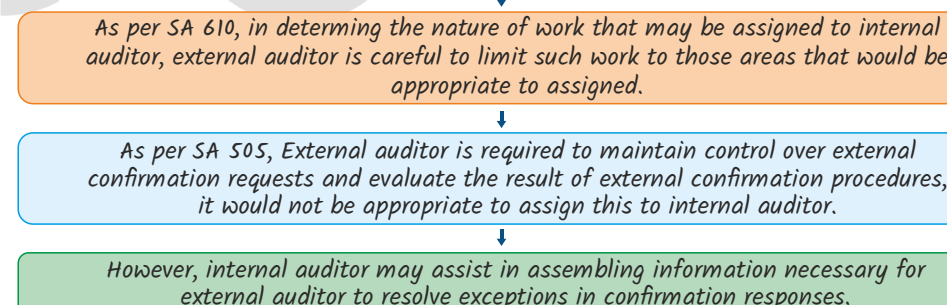
CNO—SA610.060

USING WORK OF INTERNAL AUDITOR

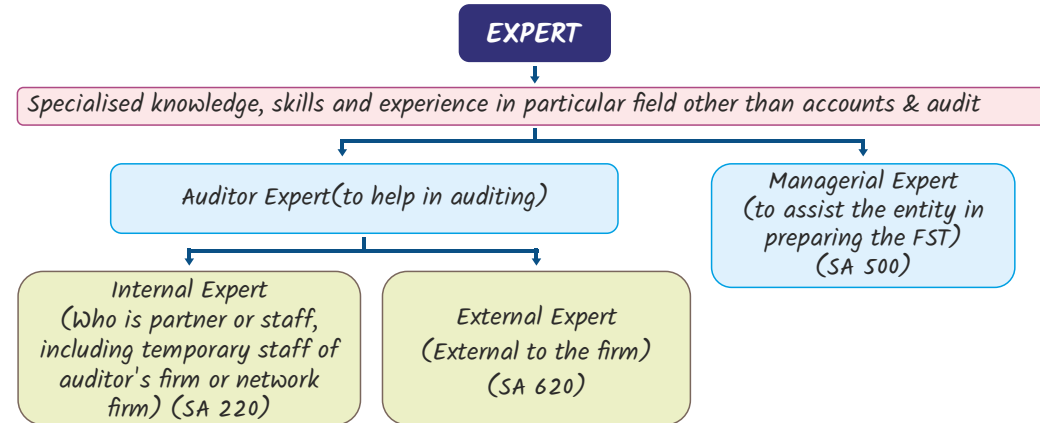


STEP 2 DETERMINING WHICH WORK OF IAF TO BE USED**EXAMPLES WHERE EXTERNAL AUDITOR HAS TO MAKE SIGNIFICANT JUDGEMENTS****EXAMPLES OF WORK DONE BY IAF WHICH CAN BE USED BY EXTERNAL AUDITOR****STEP 3 USING WORK OF IAF****CNO—SA610.080****TAKING DIRECT ASSISTANCE****STEP 2 DETERMINE NATURE AND EXTENT OF WORK THAT CAN BE ASSIGNED TO INTERNAL AUDITOR****If JAR is Dirty**

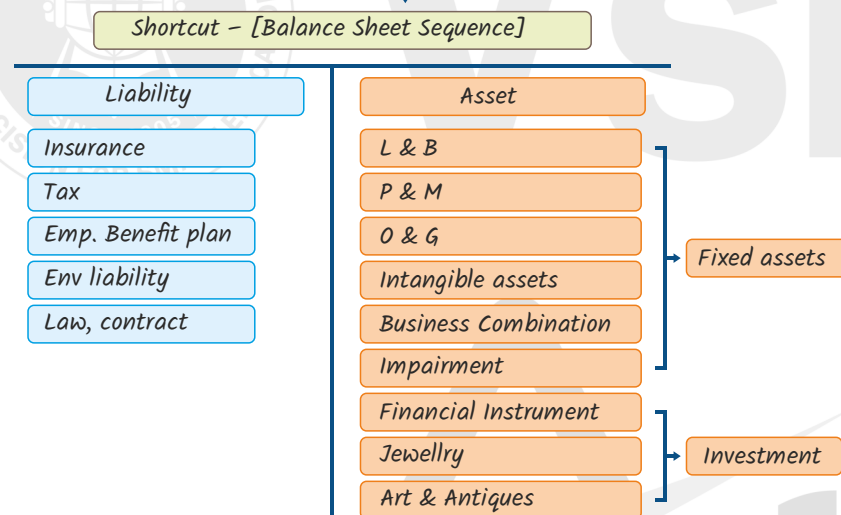
Continue on next column...

Communication with TCWG**STEP 3 TAKING DIRECT ASSISTANCE FROM INTERNAL AUDITOR****CNO—SA610.100****CAN DIRECT ASSISTANCE FROM INTERNAL AUDITOR IN CASE OF EXTERNAL CONFIRMATION PROCEDURES CAN BE TAKEN ?**

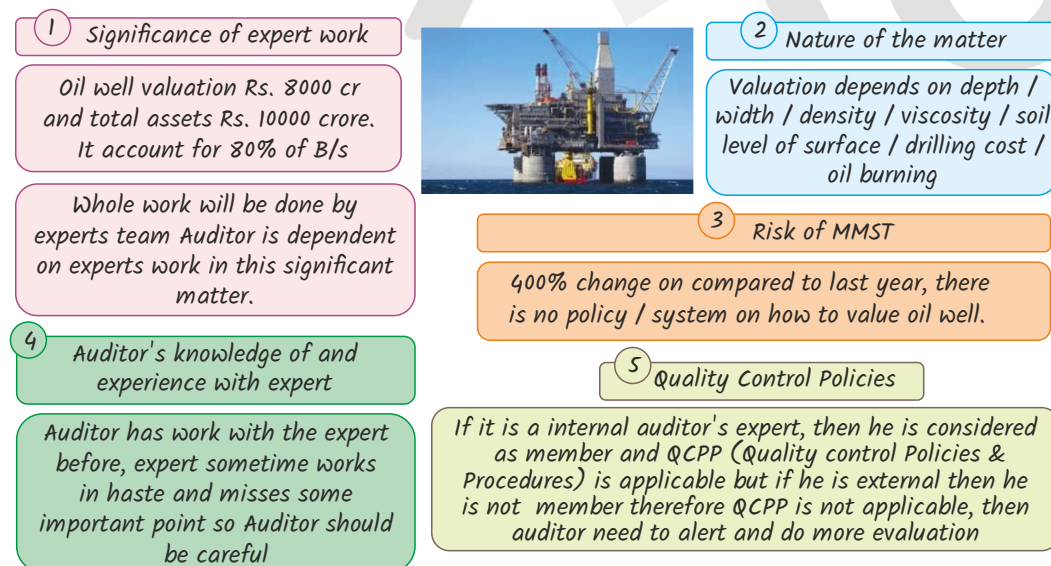
USING THE WORK OF AN AUDITOR'S EXPERT



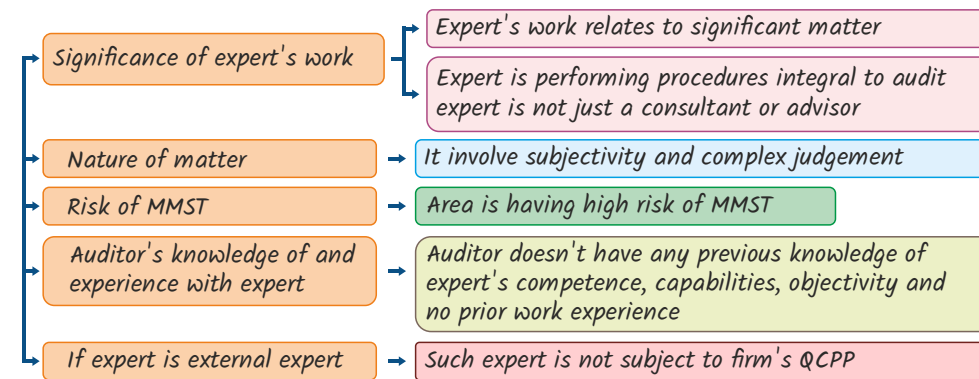
EXAMPLES OF EXPERT IN SOME AREAS



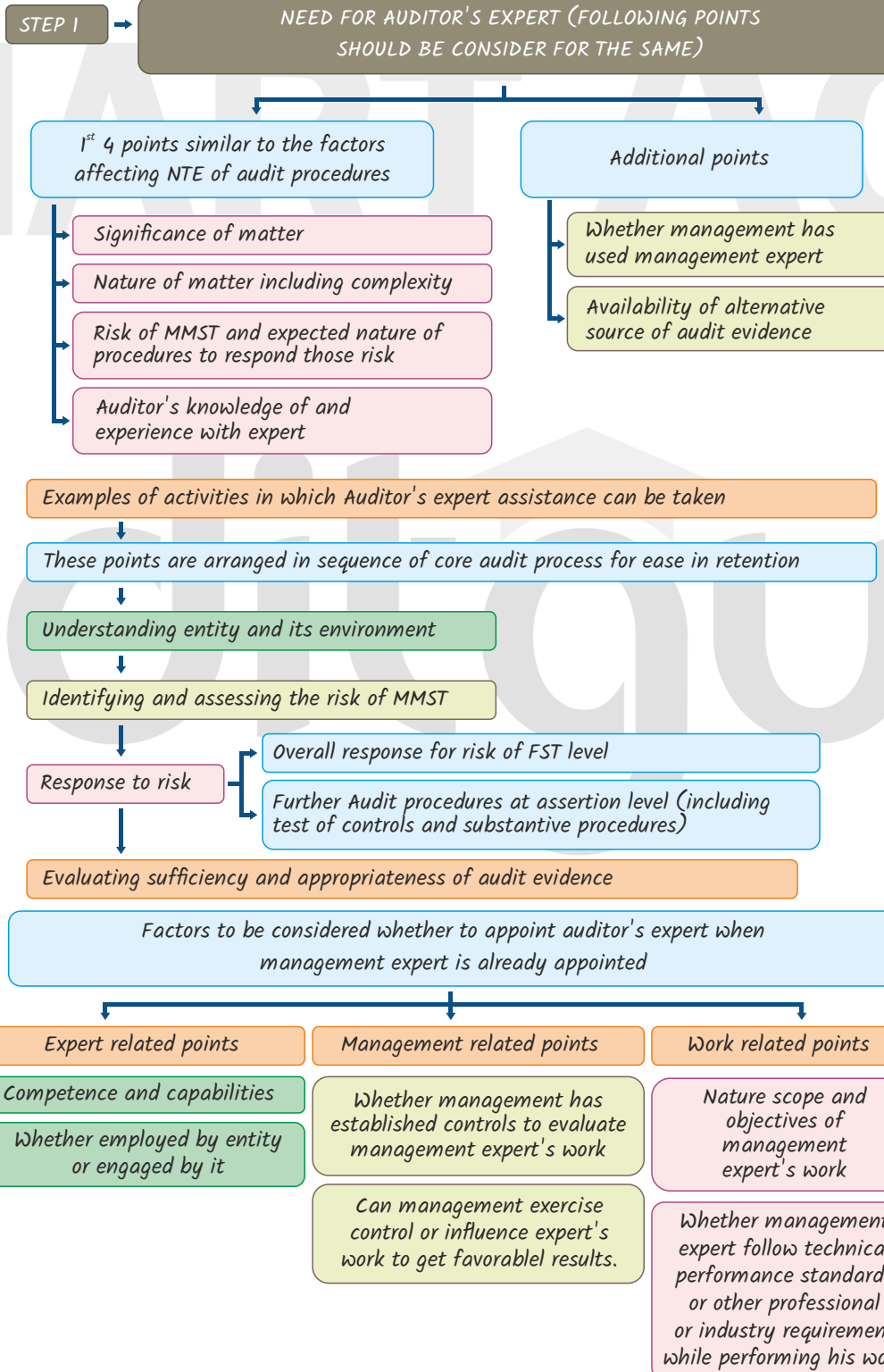
FACTORS AFFECTING NTE OF AUDIT PROCEDURES



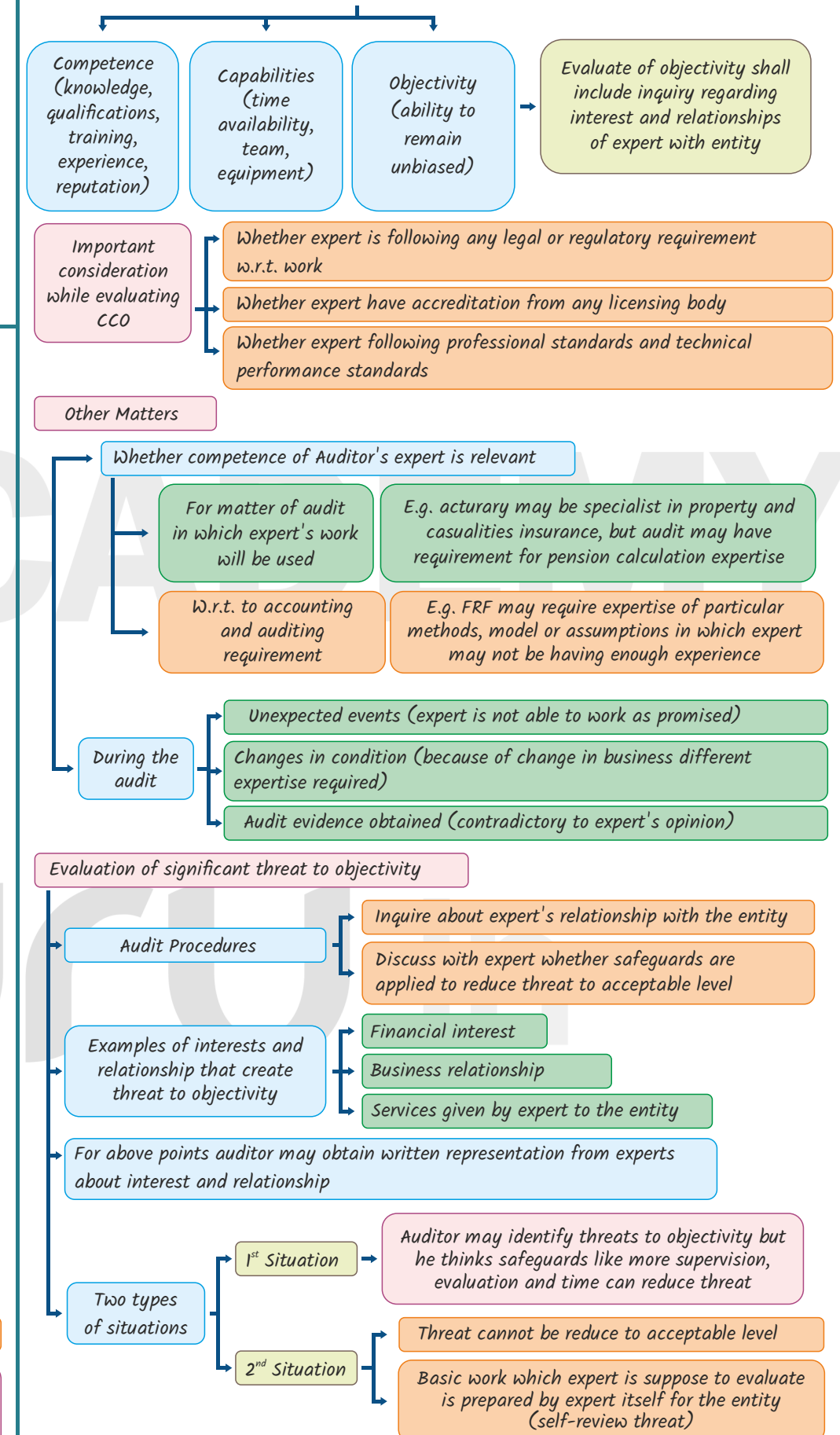
Shortcut:- SNARQ

Factor suggest need for different and more extensive procedures
(It is mere repetition of above points, explaining when to perform more procedures)

STEPS IN SA 620

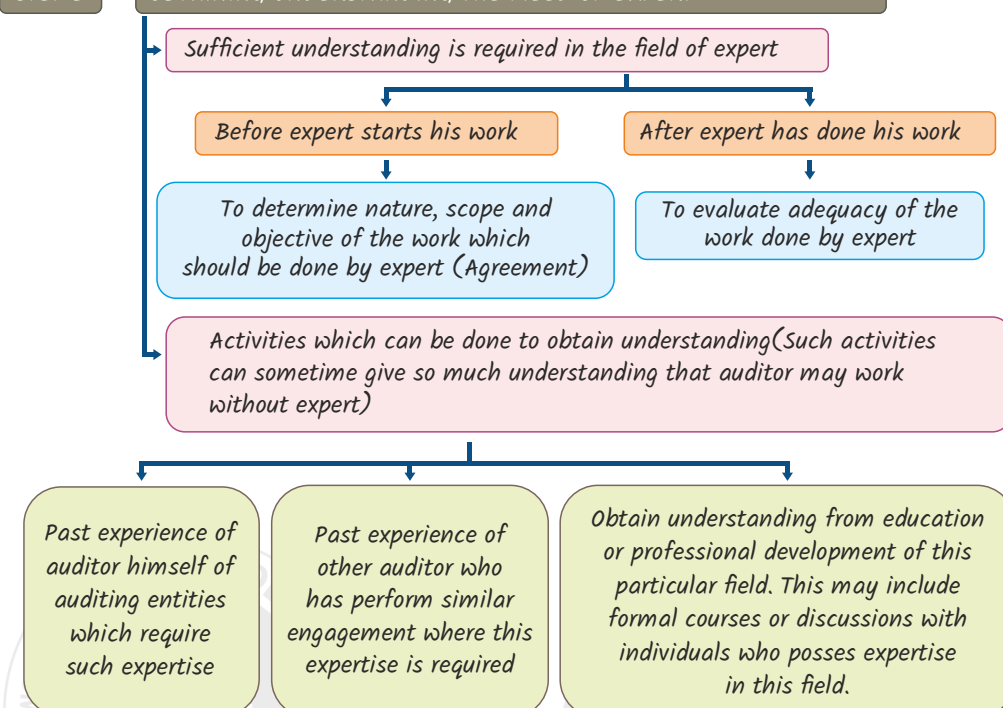


STEP 2 → MATTER TO BE CONSIDER WHILE SELECTING AUDITOR'S EXPERT (BASIC PRINCIPLES)



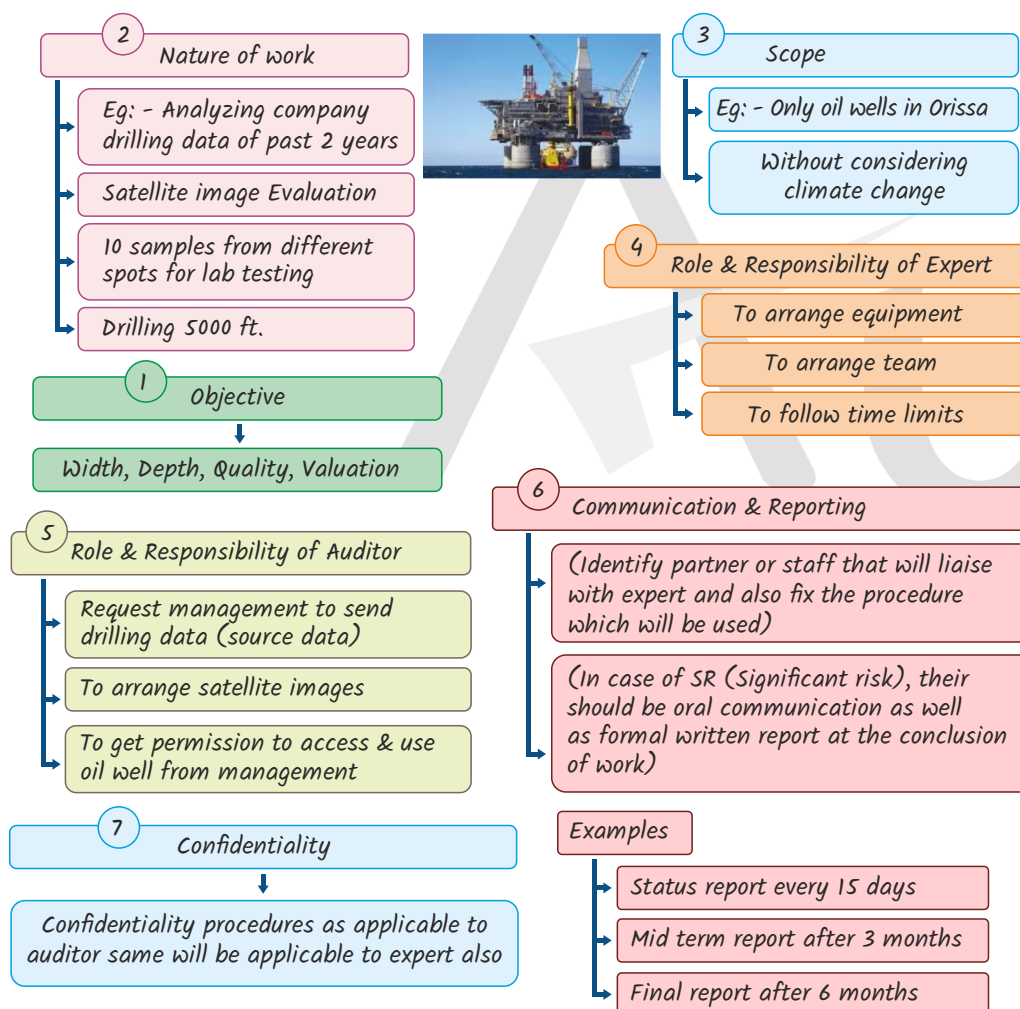
CNO—SA620.100

STEP 3 → OBTAINING UNDERSTANDING THE FIELD OF EXPERT



CNO—SA620.120

STEP 4 →

AGREEMENT WITH AUDITOR EXPERT
(THEY SHOULD AGREE IN WRITING)

Continue on next column...

Factors which may lead to more detailed agreement as compare to normally required

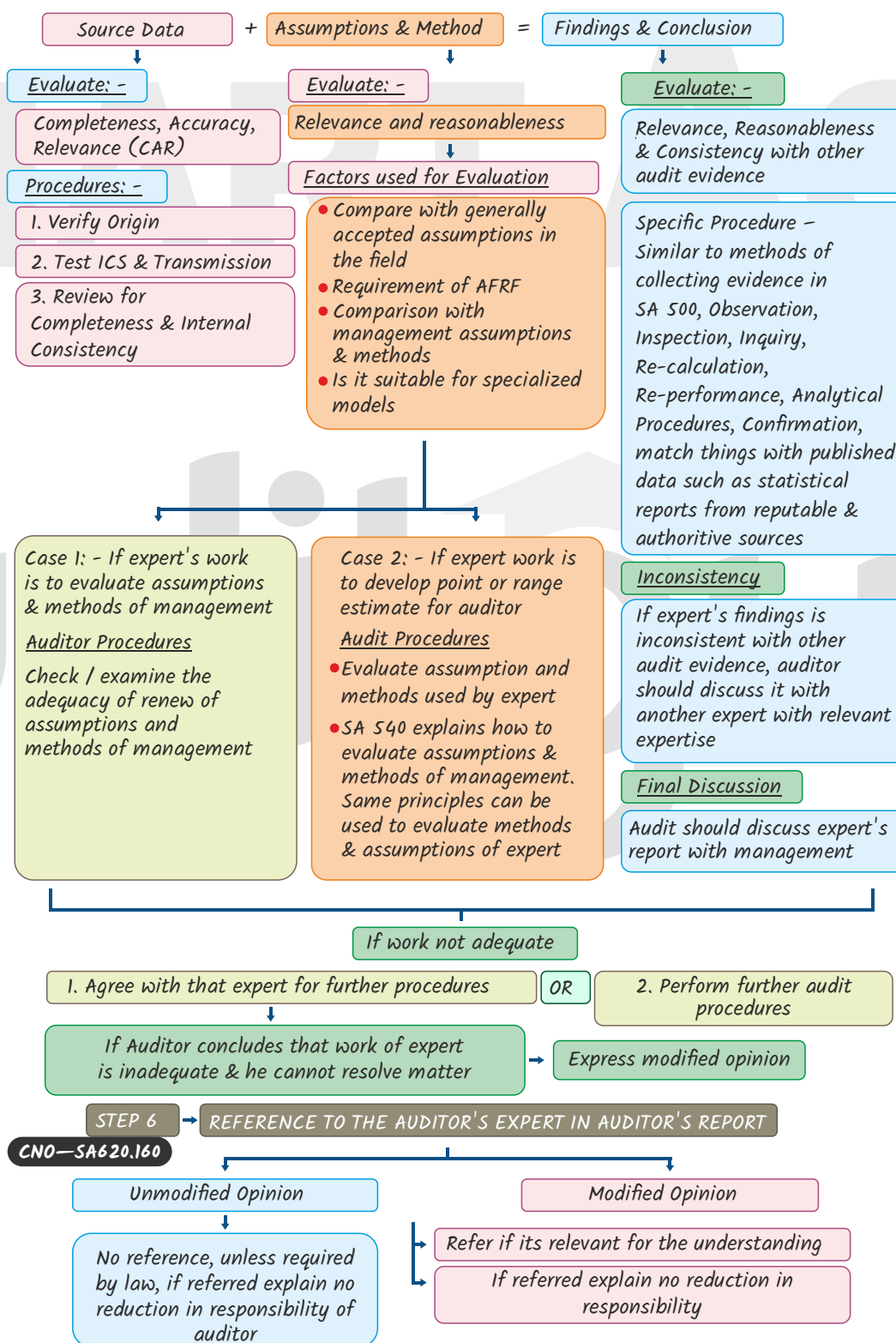
Shortcut - Nuclear DEAL is Complex

- N - Not previously used work of this expert
- D - Different roles and responsibility as compared to normal
- E - Extent of expert's work is more and its significant
- A - Expert have Access to sensitive and confidential information
- L - Multi-jurisdictional Legal and regulatory requirement
- C - Work is highly Complex

CNO—SA620.140

STEP 5 →

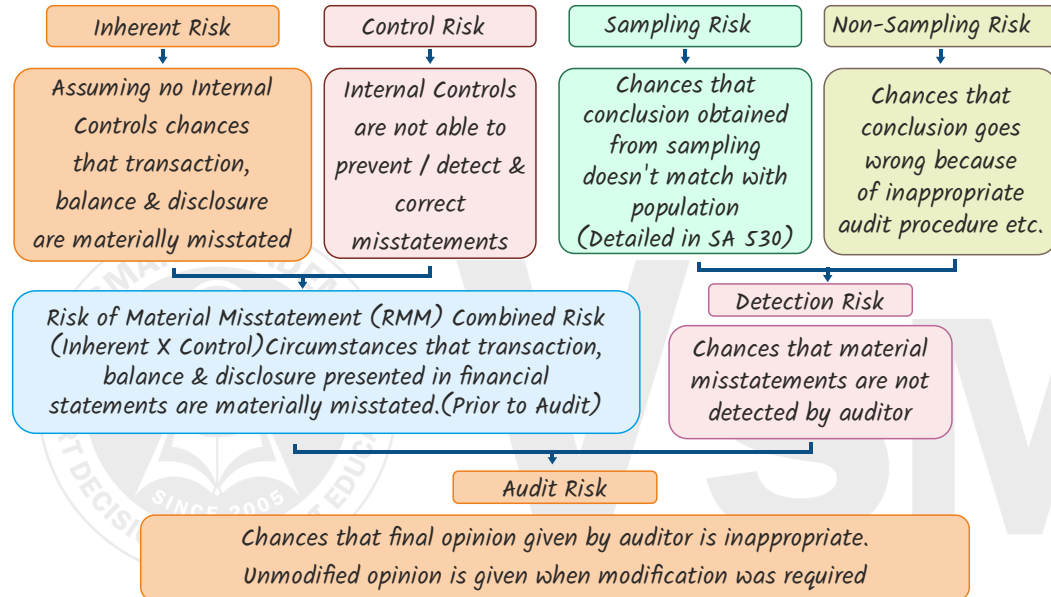
EVALUATING THE ADEQUACY OF EXPERT'S WORK



CNO—SA315-RISK.020

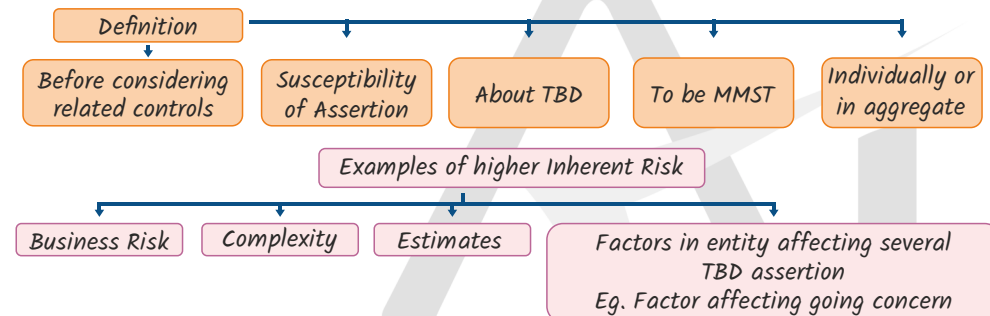
Part I -- SA 315

AUDIT RISK & ITS COMPONENTS



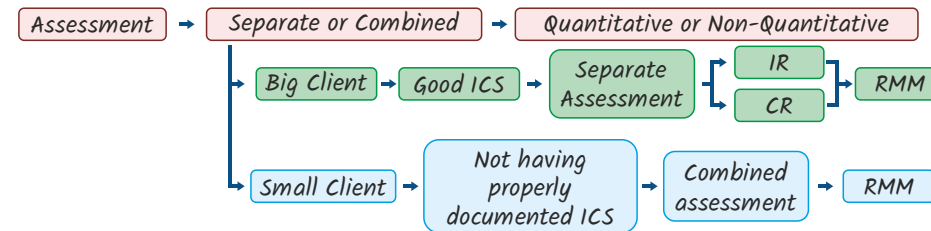
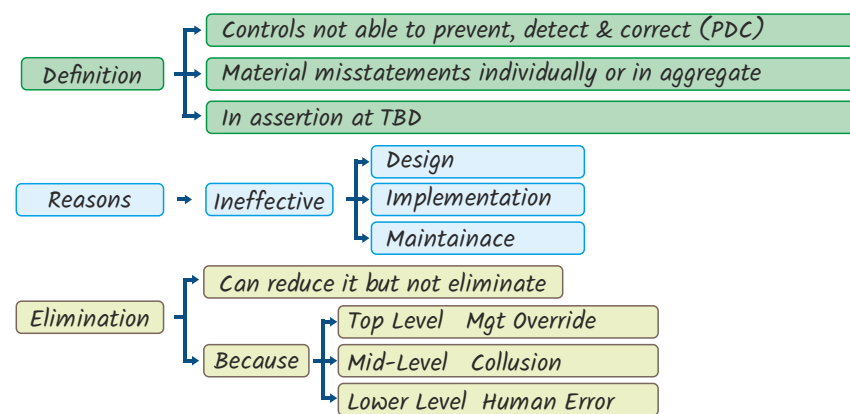
CNO—SA315-RISK.020

INHERENT RISK (IR)



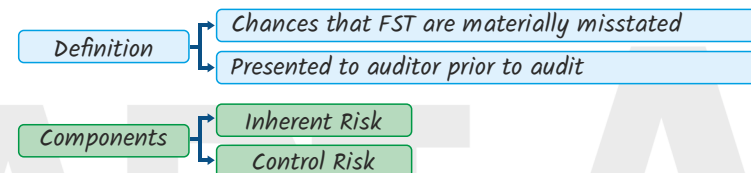
CNO—SA315-RISK.020

CONTROL RISK (CR)



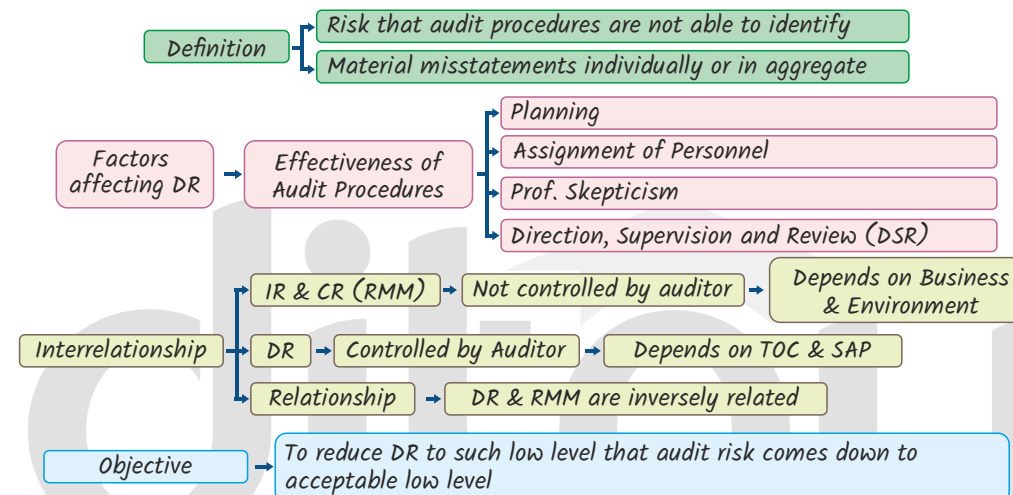
CNO—SA315-RISK.020

RISK OF MATERIAL MISSTATEMENT (RMM)



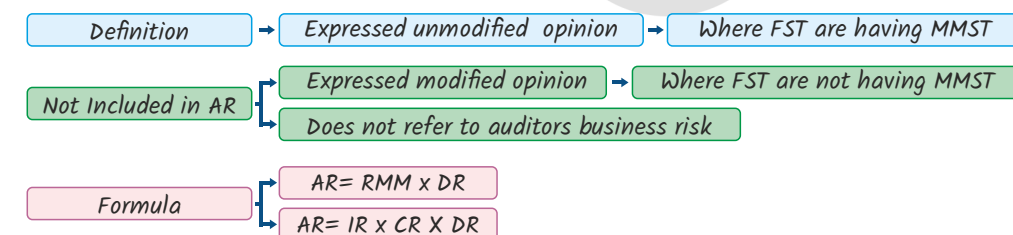
CNO—SA315-RISK.020

DETECTION RISK (DR)



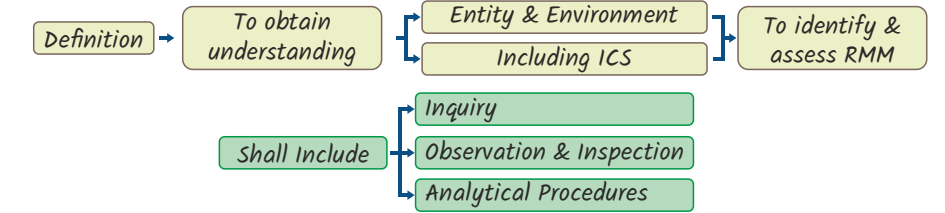
CNO—SA315-RISK.020

AUDIT RISK (AR)



CNO—SA315-RISK.040

RISK ASSESSMENT PROCEDURE (HOW TO COLLECT INFO?)



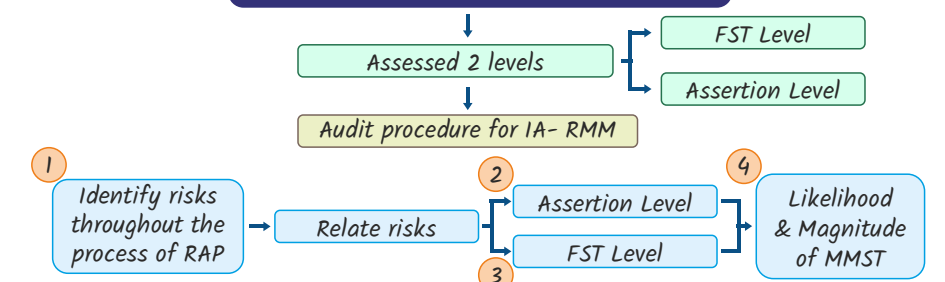
CNO—SA315-RISK.060

UNDERSTANDING OF THE ENTITY AND ITS ENVIRONMENT (What info should be collected)

- State of Economy
- Nature of Industry
- Regulatory Requirement
- Ownership & Governance
- Financing & Structure
- Types of Investments
- Nature of Operations
- Financial Reporting Framework
- Selection & Application of Accounting Policies
- Financial Performance
- Objectives
- Strategies & Business Risk

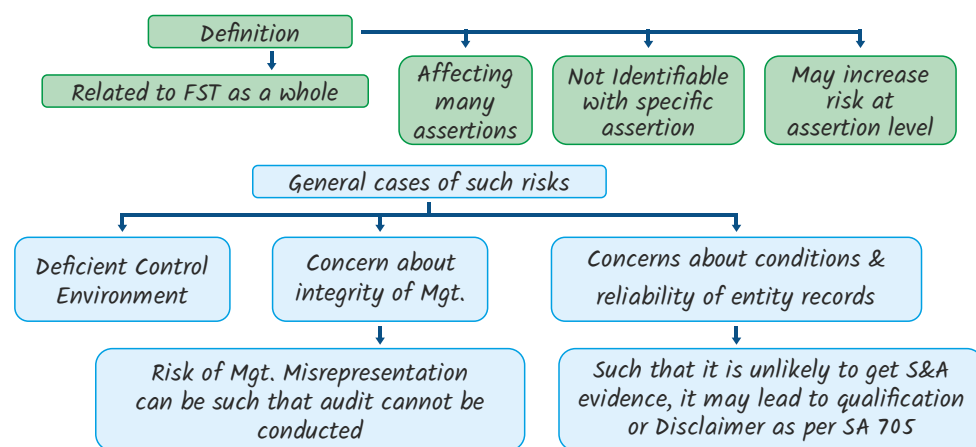
CNO—SA315-RISK.080

IDENTIFY & ASSESS RISK OF MATERIAL MISSTATEMENT (IA-RMM)

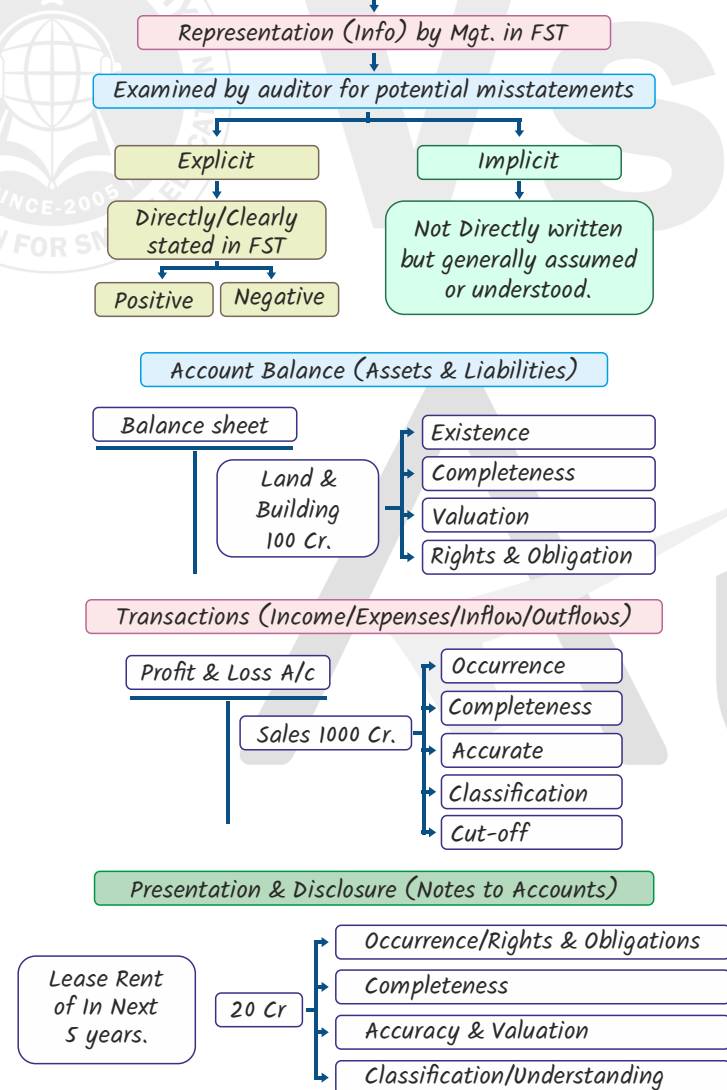


Continue on next column...

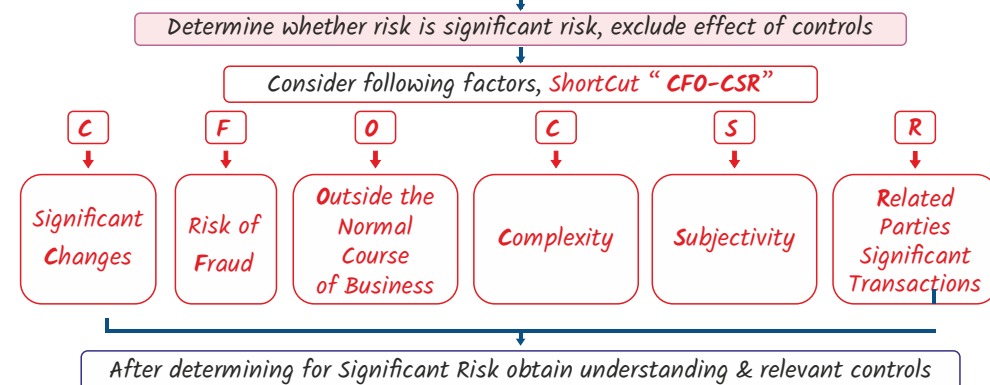
FINANCIAL STATEMENT LEVEL RISK



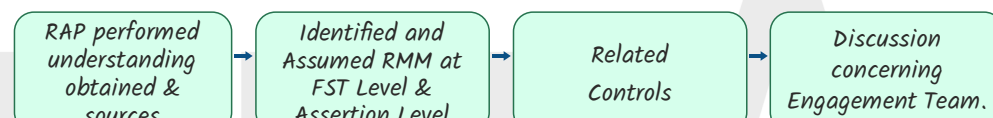
ASSERTIONS



RISK THAT REQUIRES SPECIAL AUDIT CONSIDERATION

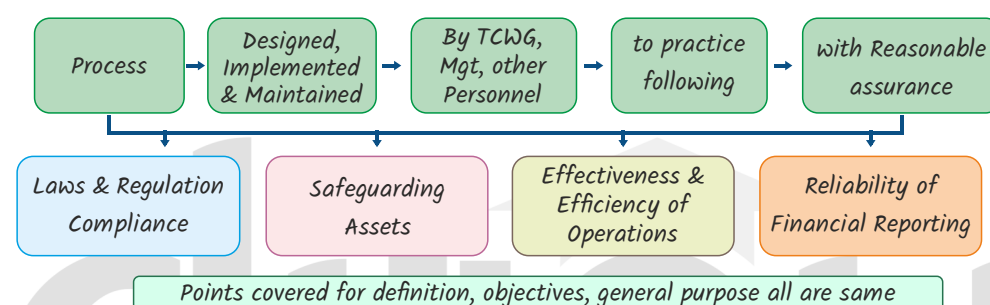


DOCUMENTATION

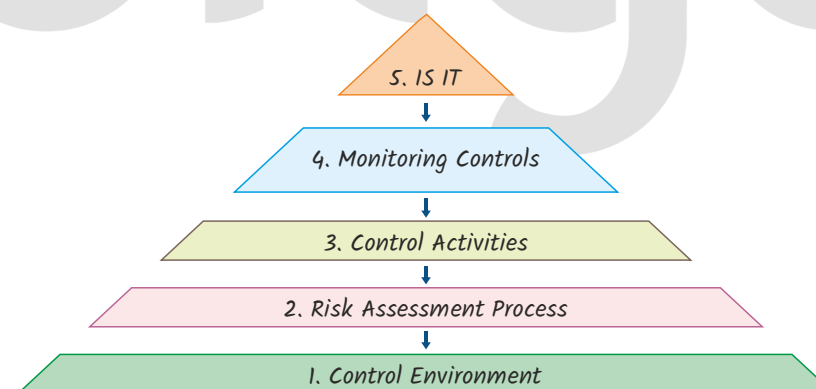


SA 315 PART 2

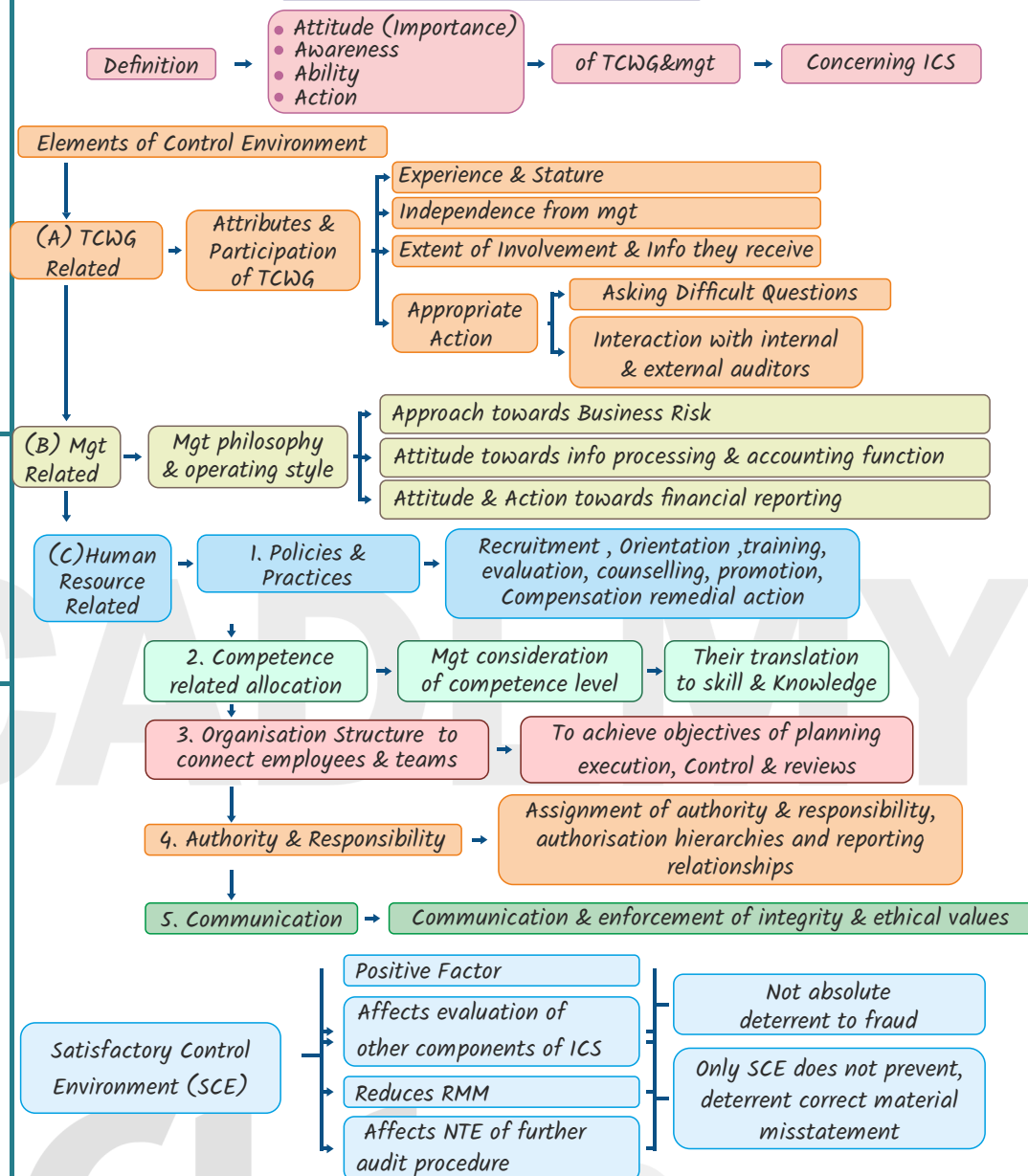
DEFINITION OF INTERNAL CONTROL SYSTEM(ICS)



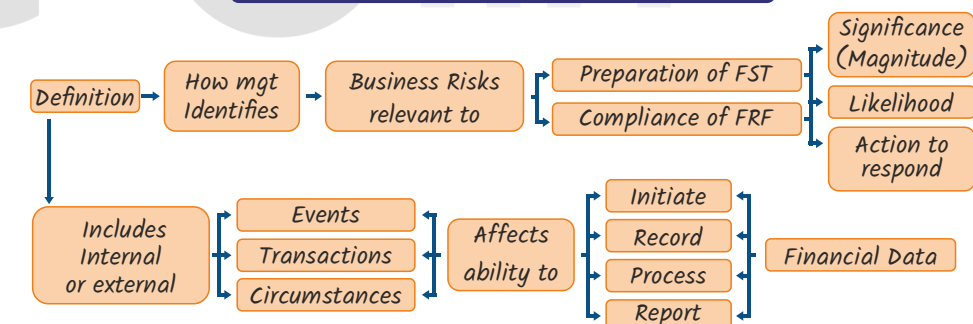
COMPONENTS OF INTERNAL CONTROL



1. CONTROL ENVIRONMENT



2. ENTITY'S RISK ASSESSMENT PROCESS



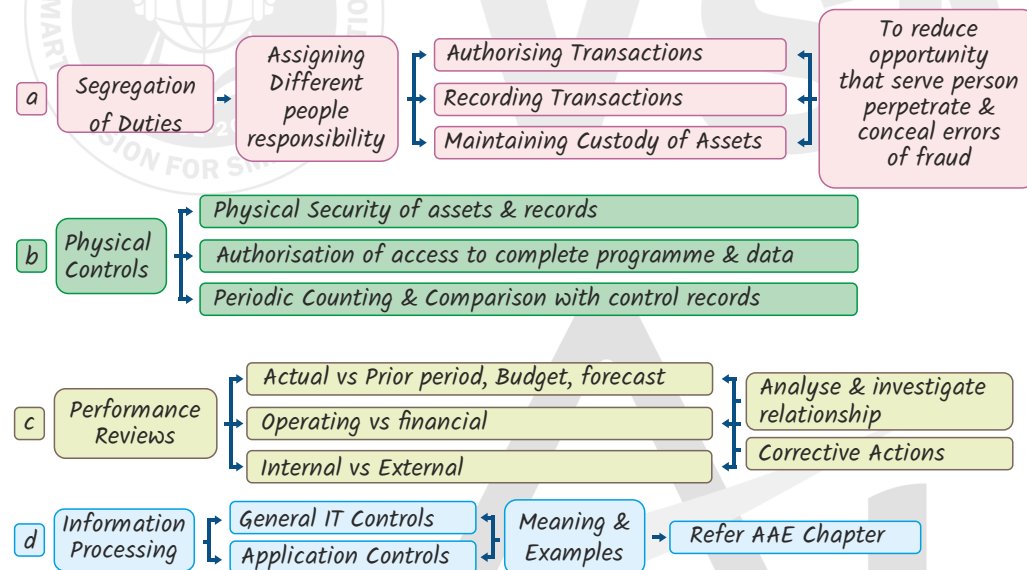
CIRCUMSTANCES LEADING TO RISKS

ShortCut "PFA- TRAGIC" risk assessment

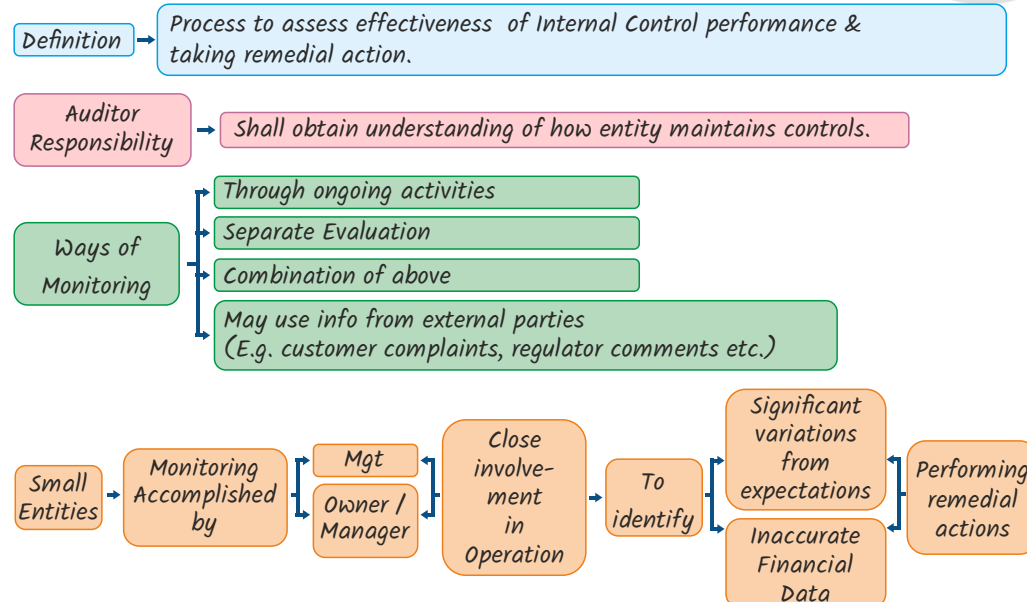
- P → New Personnel
 F → Expanded Foreign operations
 A → New Accounting pronouncements
 T → New Technology
 R → Changes in Regulatory or operating environment
 A → New Business models, Products or Activities
 G → Rapid Growth
 I → New or revamped Info System
 C → Corporate Restructuring

3. CONTROL ACTIVITIES

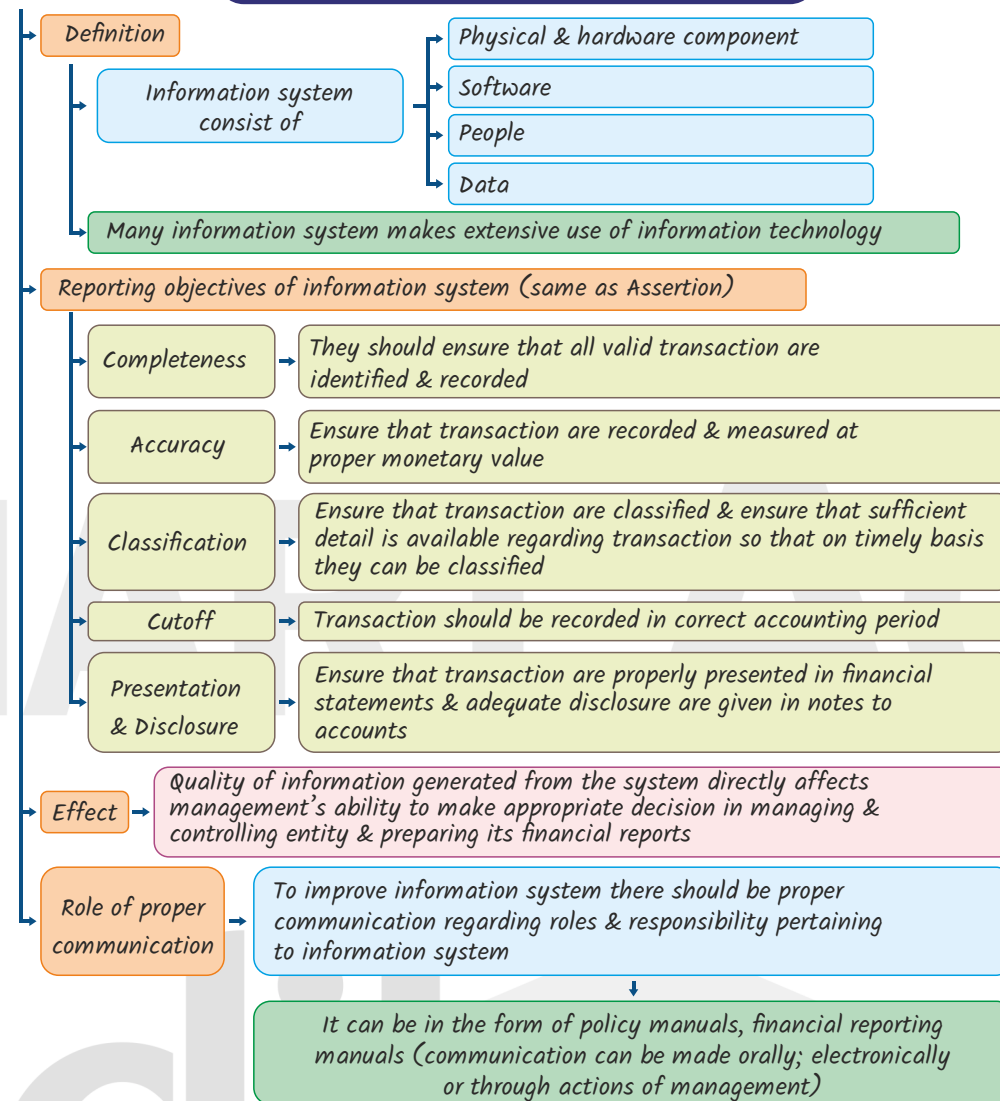
Control Activities Relevant to Audit can be categorised as



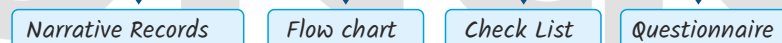
4. MONITORING CONTROLS



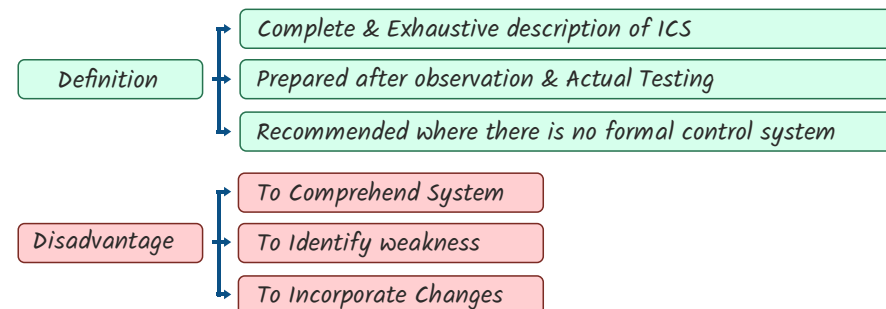
5. INFORMATION SYSTEM, INCLUDING THE RELATED BUSINESS PROCESS, RELEVANT TO FINANCIAL REPORTING & COMMUNICATION. COMPONENT OF CONTROL ENVIRONMENT



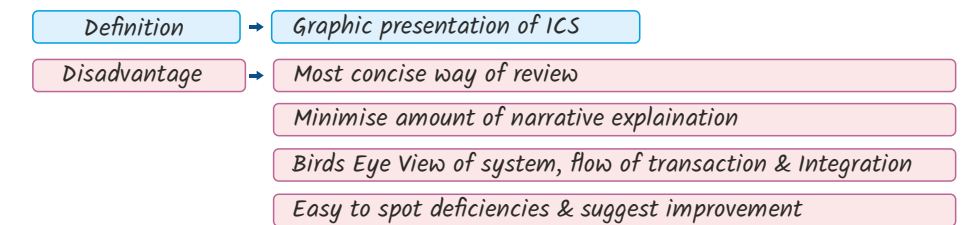
TOOLS OF ICS REVIEW



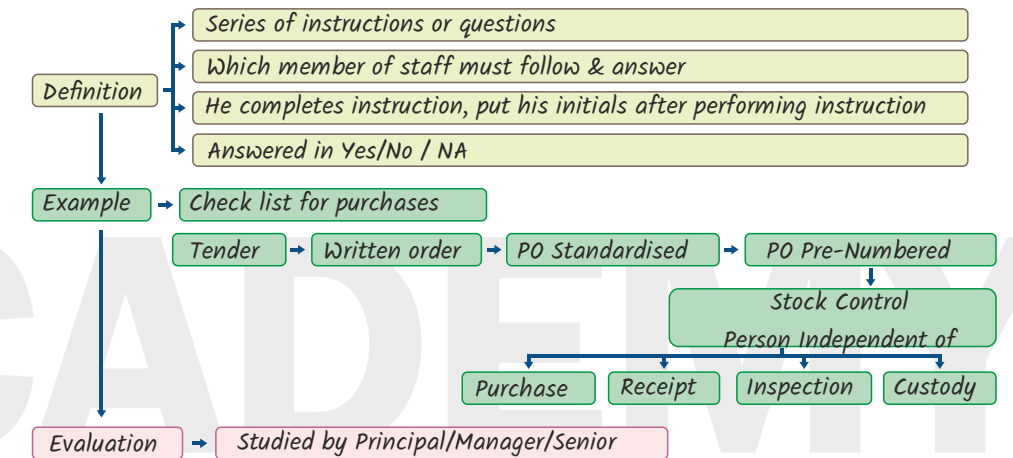
NARRATIVE RECORDS



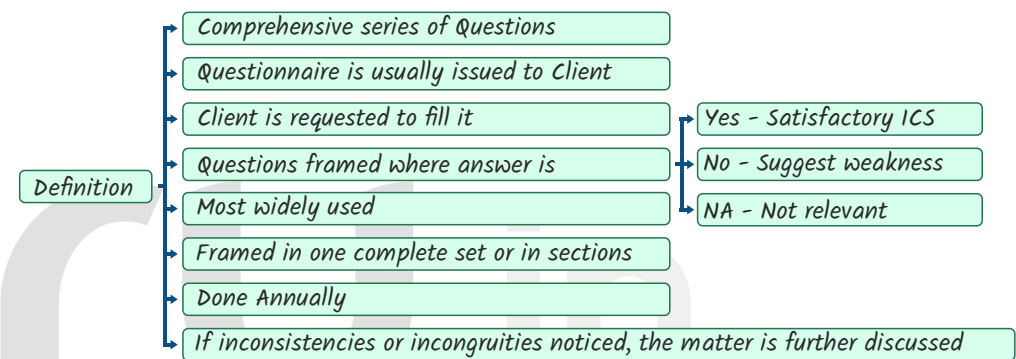
FLOW CHART



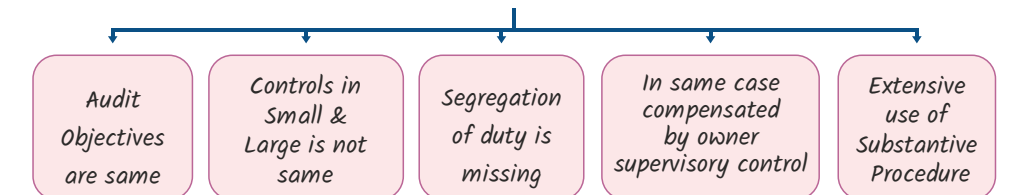
CHECK LIST



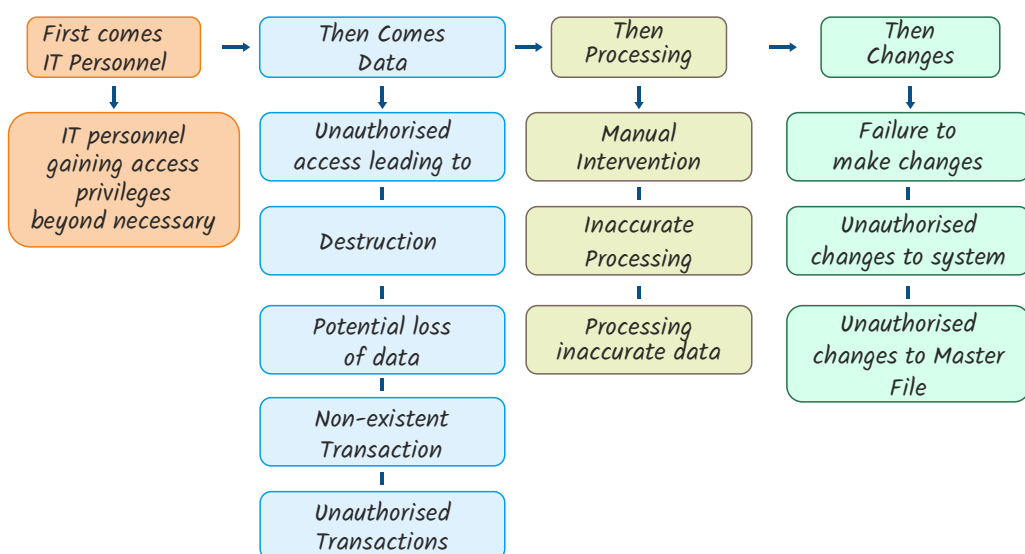
INTERNAL CONTROL QUESTIONNAIRE



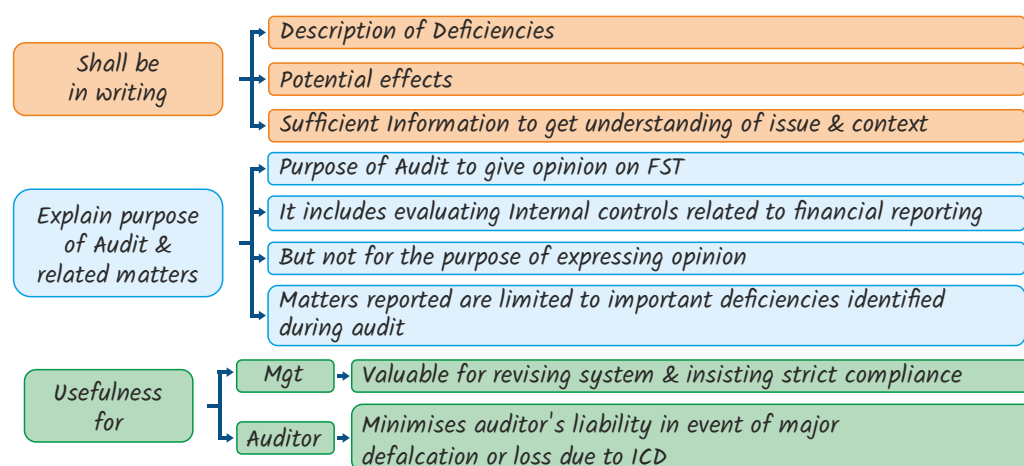
INTERNAL CONTROLS IN SMALL BUSINESS



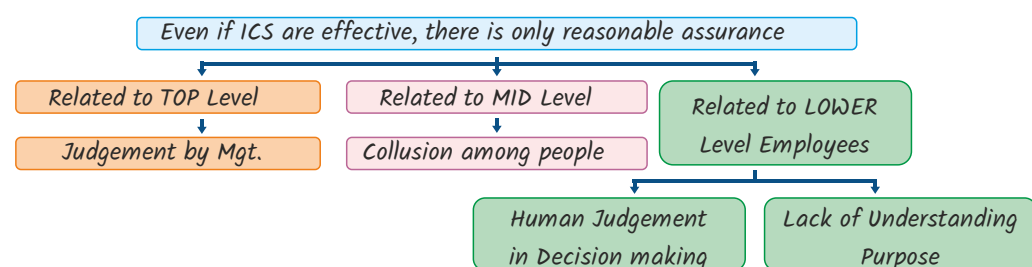
CNO--SA315-ICS.080

RISK BECAUSE OF IT SYSTEMS

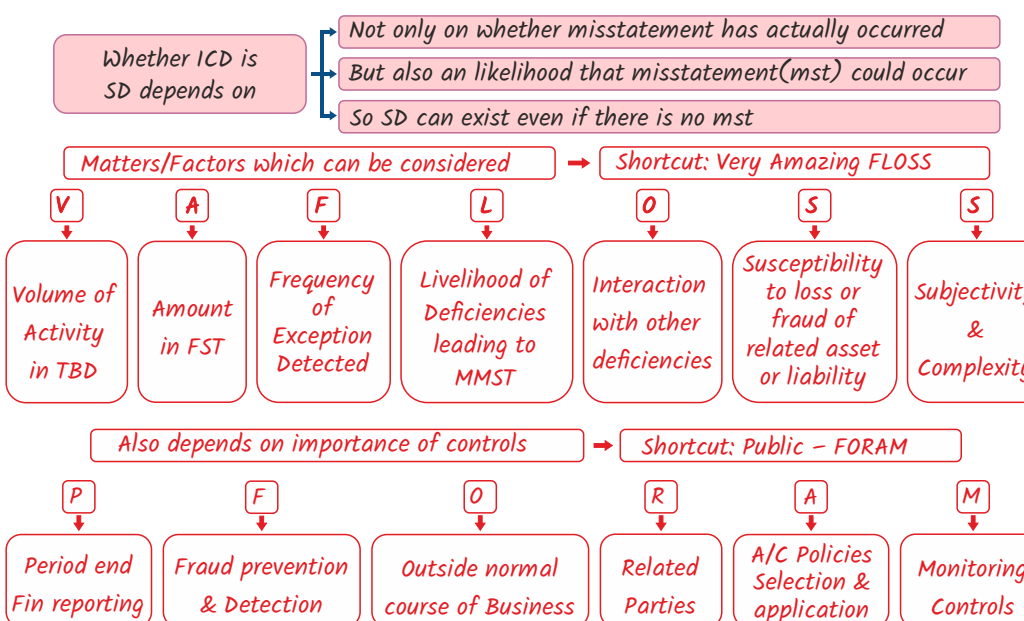
CNO--SA265.060

**CONTENTS OF COMMUNICATION OF ICD
(MGT Letter/Letter of weakness)**

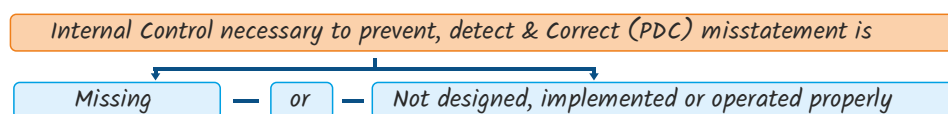
CNO--SA315-ICS.300

LIMITATION OF ICS

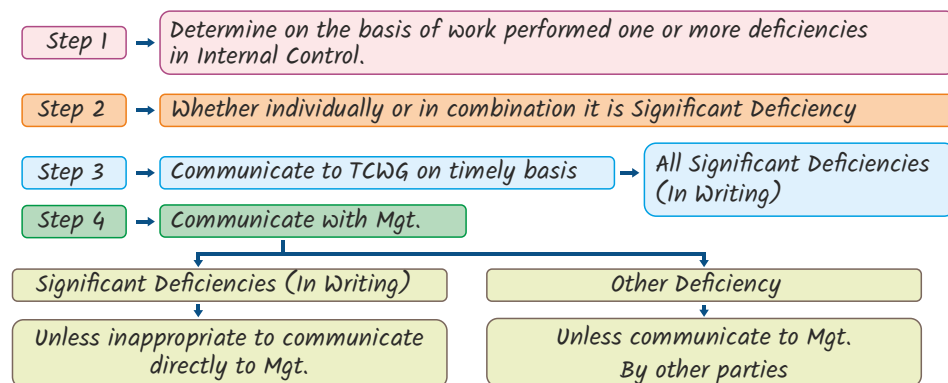
CNO--SA265.080

FACTORS CONSIDERED WHILE DECIDING WHETHER DEFICIENCY IS SIGNIFICANT DEFICIENCY (SD)

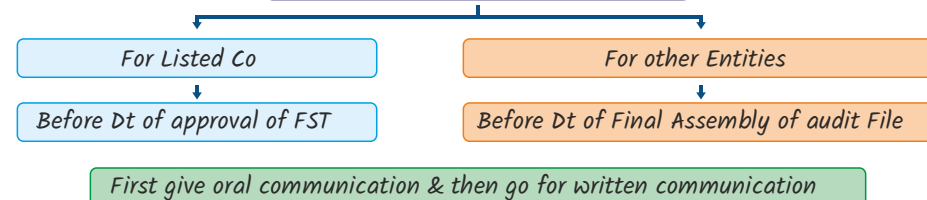
CNO--SA265.020

Part 2 -- SA 265**DEFINITION-INTERNAL CONTROL DEFICIENCY (ICD)**

CNO--SA265.040

RESPONSIBILITY OF AUDITOR IN CASE ICD

CNO--SA265.100

TIMING OF COMMUNICATING SIGNIFICANT DEFICIENCY

CNO--CA.060

Part I - Co Audit Sec 139 to 148

SEC 141(1) & (2) QUALIFICATIONS

Sec 141(1) Individual Chartered Accountant holding COP

Sec 141(2) Partnership Firm including LLP (Majority Partners should be CA holding COP)
Only partners who are CA+COP can perform audit and sign FST & Audit report

CNO--CA.080

SEC 141(4) - DISQUALIFICATIONS

Disqualifications are to be checked at the time of appointment & after that

Disqualification before appointment

No problem

Disqualification on date of appointment

No Appointment (Void-Ab-Initio)

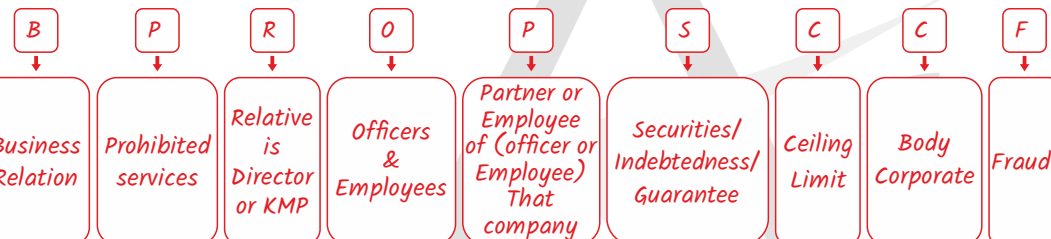
Disqualification after appointment

Automatic Removal

CNO--CA.080

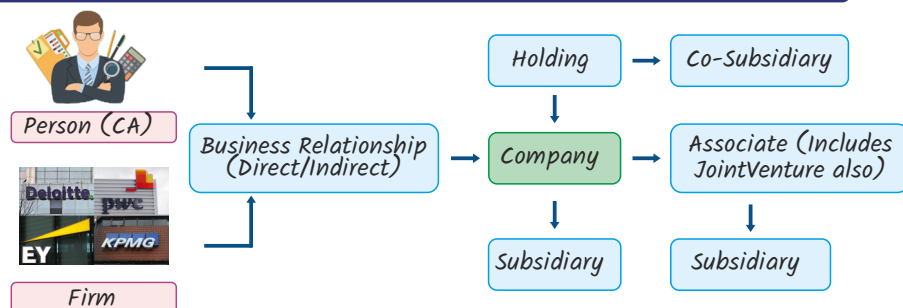
SEC 141(3) - DISQUALIFICATIONS

Shortcut :- In Big PROPS there is Challenge & Chance of Failure.



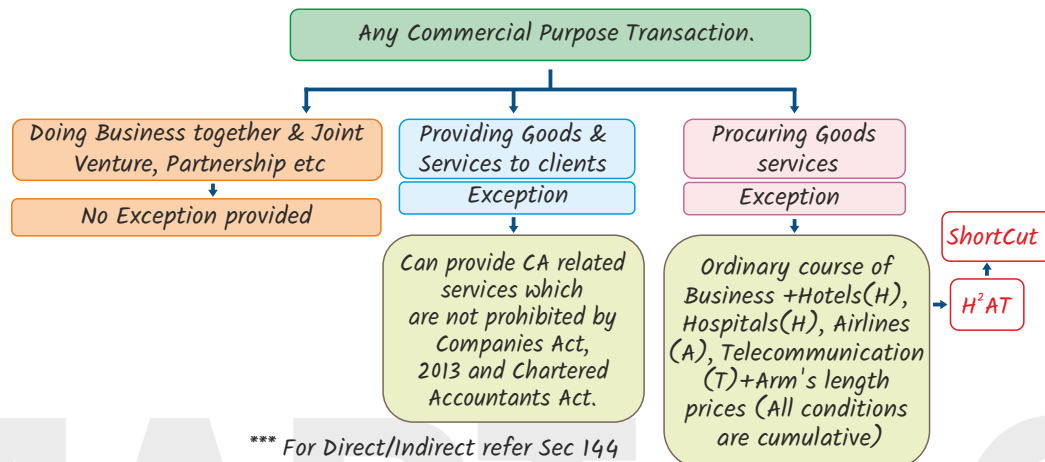
CNO--CA.080

SEC 141(3)(C) B-BUSINESS RELATION DISQUALIFICATION



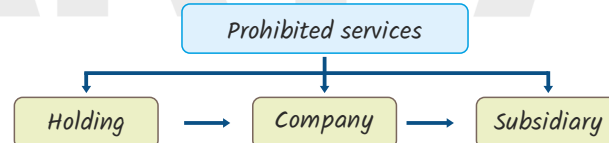
CNO--CA.080

Meaning of Business Relationship(Direct/Indirect)



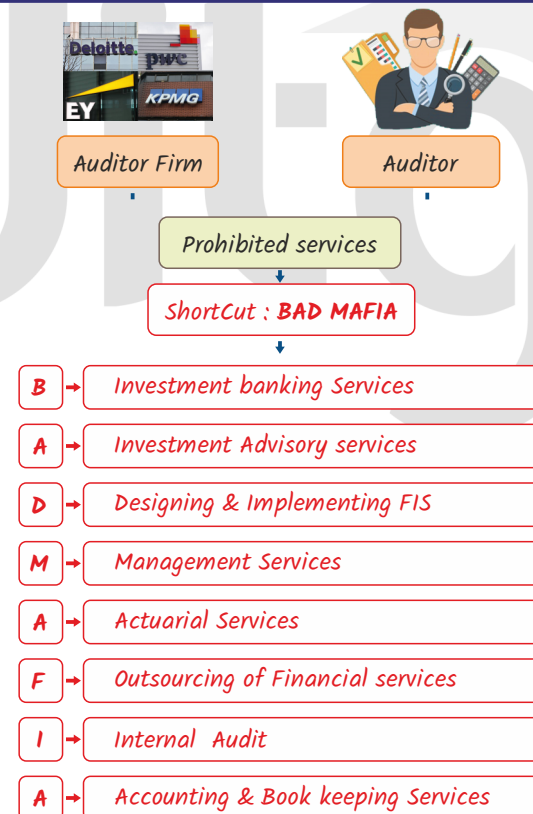
CNO--CA.080

SEC 141(3)(1) P-PROHIBITED SERVICES DISQUALIFICATION



CNO--CA.080

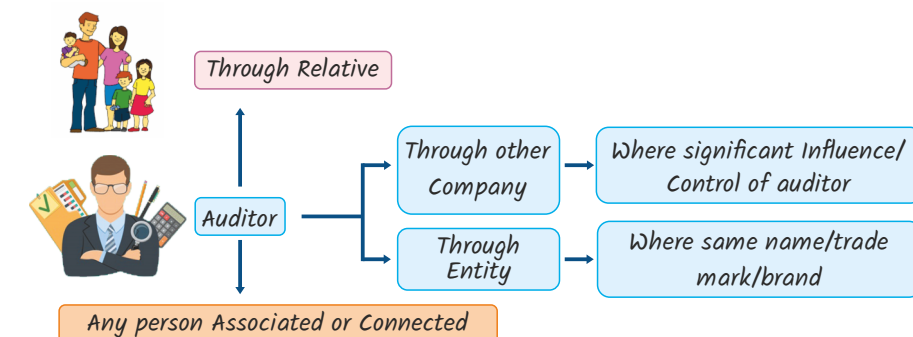
SEC 144 - AUDITOR NOT TO RENDER CERTAIN SERVICES



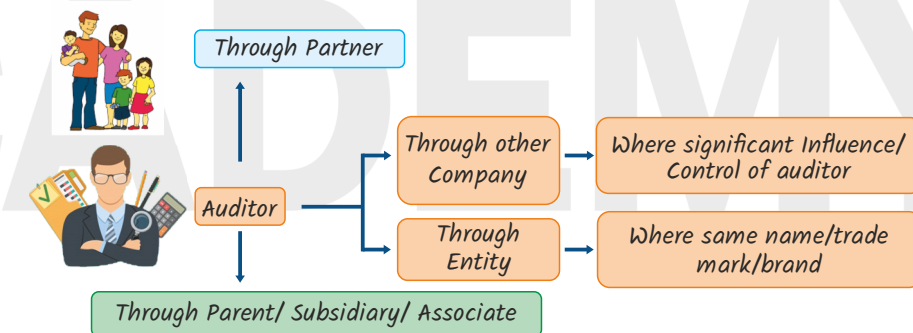
***Note: CA can give some services which are not covered in Section 144. Ex:- Tax, GST, Training.
For any other service - Prior approval of AC / BOD

CNO--CA.080

Meaning of directly or indirectly in case of Individual Auditor:



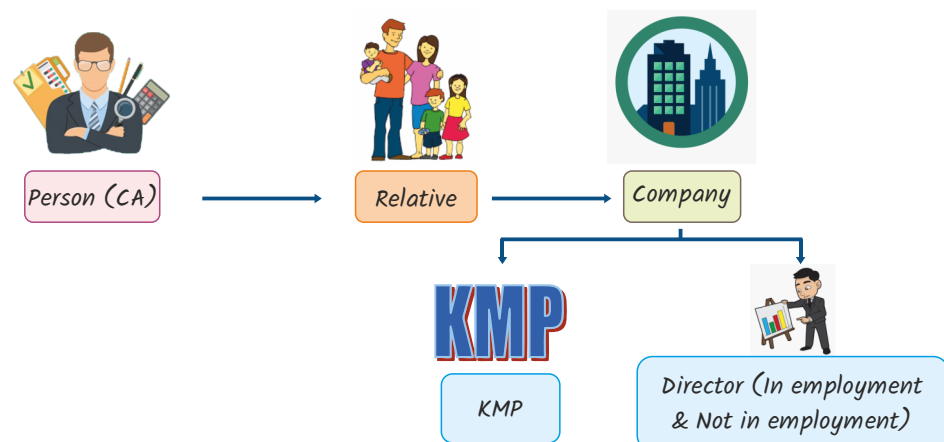
Prohibited services directly or indirectly in case of Audit Firm:



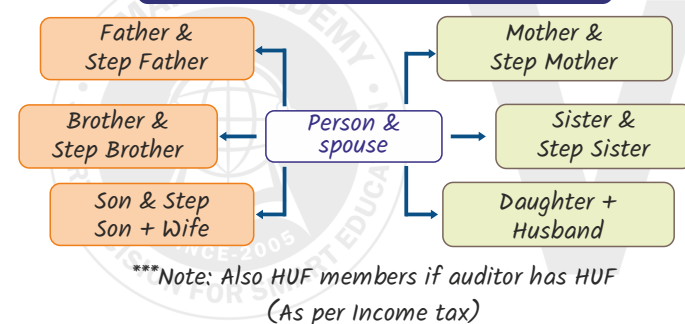
CA Ravi Taori



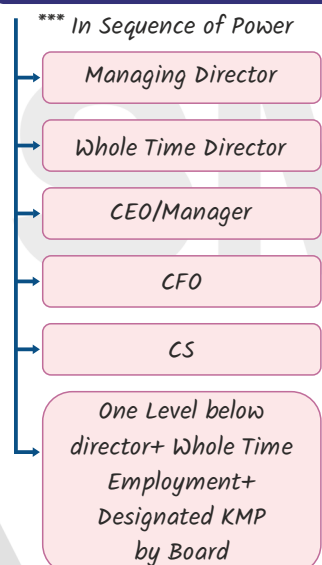
SEC 141 (3)(f) R-RELATIVE IS DIRECTOR/KMP DISQUALIFICATION



Sec 2(77) - Definition of relative:

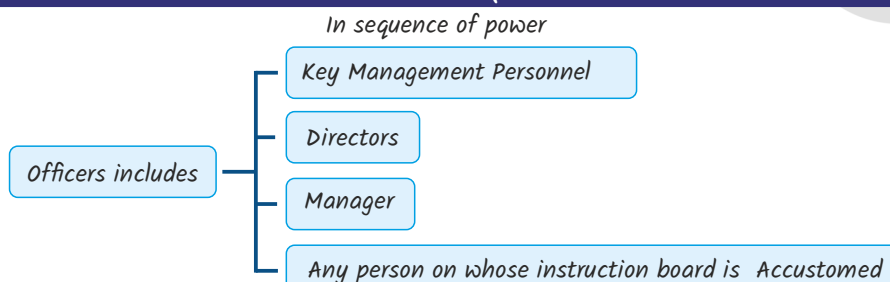


Sec 2(51) - KMP Means



SEC 141(3)(d) O- OFFICERS & EMPLOYEES OF THAT COMPANY DISQUALIFICATION

SEC 141(3)(c) P-PARTNER OR EMPLOYEE OF OFFICER OR EMPLOYEE OF THAT COMPANY DISQUALIFICATION



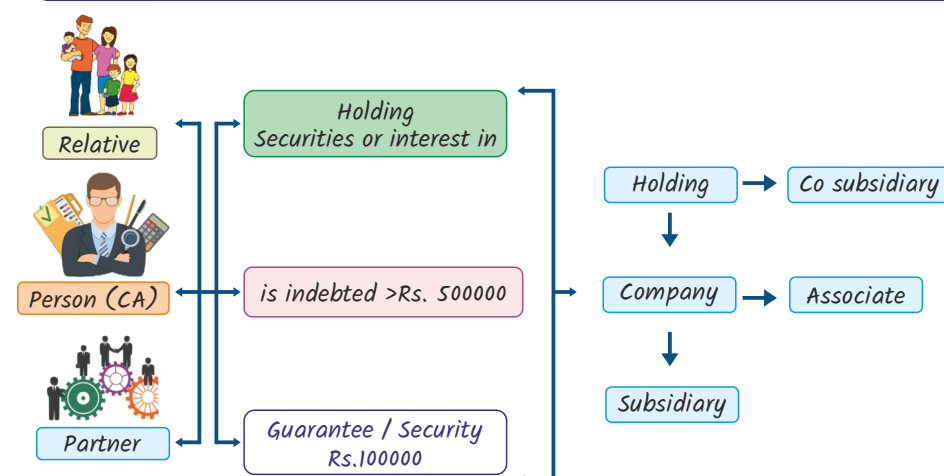
***Partners of Officers/ Employees are disqualified.

***Partners of Partners of Officers/ Employees are not disqualified.

***If any partner is disqualified, firm will get disqualified, but even if firm is disqualified, individual partner may be eligible.

Director of holding company can not become auditor of subsidiary

SEC 141(3)(d) S-SECURITIES/ INDEBTEDNESS/GUARANTEE GIVEN DISQUALIFICATION

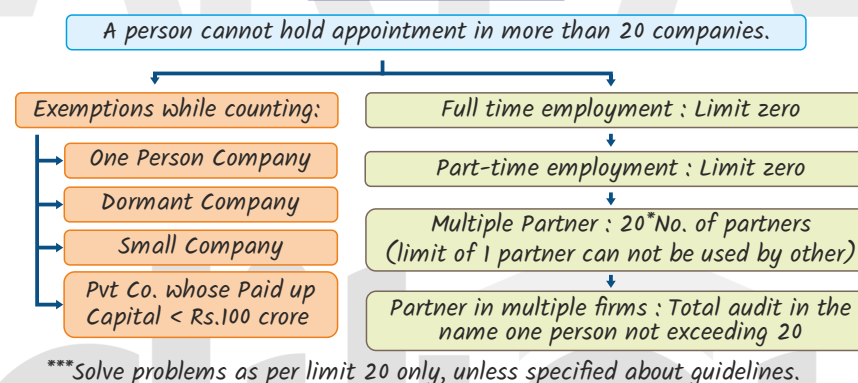


***No Disqualification if relatives holds any security in the company of face value Rs.100000

***In the event of acquiring any security or interest by a relative, above 100000, the corrective action to maintain the limits as specified above shall be taken by the auditor within 60 days of such acquisition

***All limits are cumulative eg. 1,00,000 is for all relatives taken together.

C-Ceiling Limit



B-BODY CORPORATE

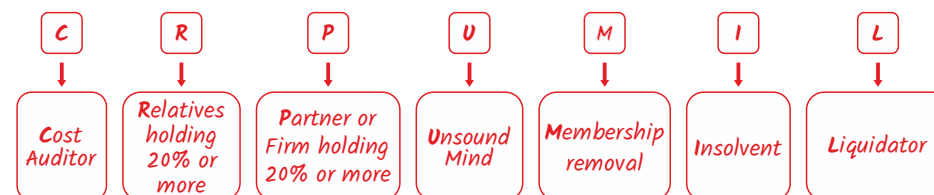
Body Corporate other than LLP.

F-FRAUD

Convicted by court of offence involving fraud and a period of 10 years has not elapsed from date of conviction.

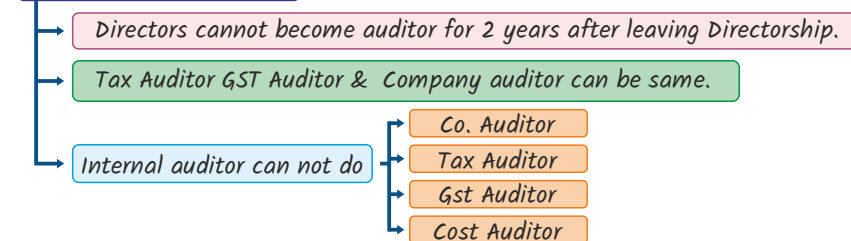
OTHER DISQUALIFICATIONS BY OTHER SECTIONS /CA ACT & GUIDELINES

ShortCut :- CAR RALLY is PLANNED UNANIMOUSLY on MELTING ICE with Liquidator.



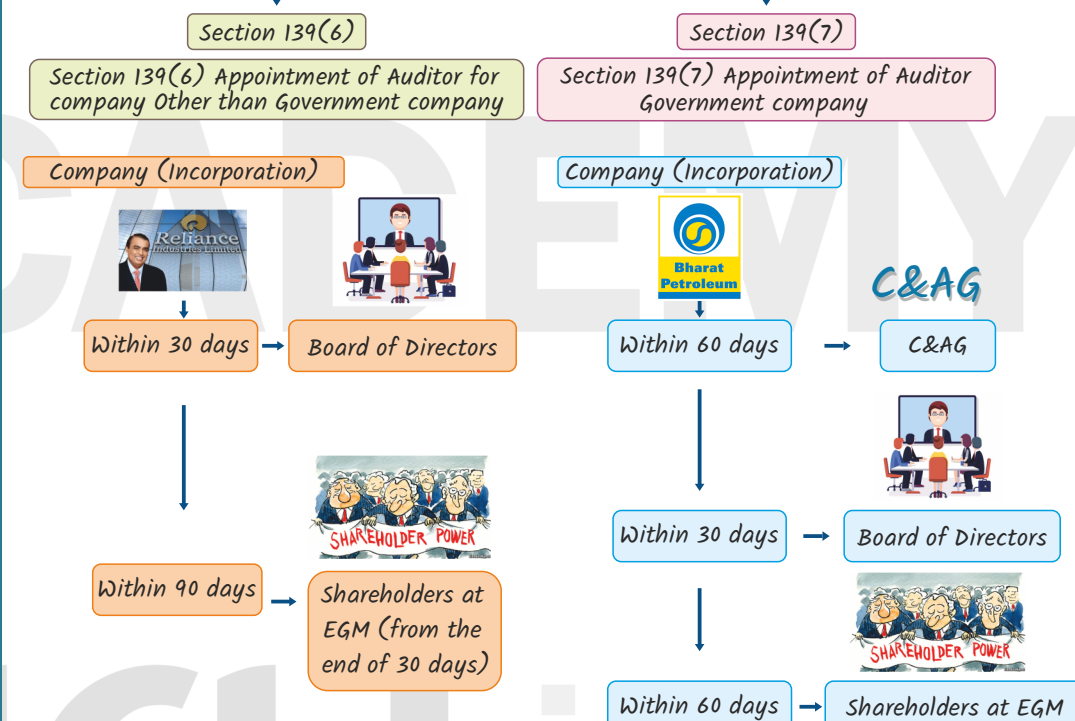
Continue on next Column...

Announcement by ICAI:



SEC 139 - APPOINTMENT OF AUDITOR AND ROTATION

APPOINTMENT OF FIRST AUDITOR



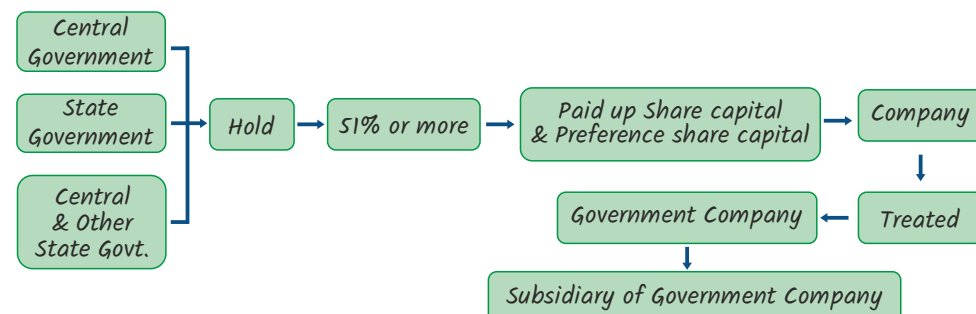
Following are not proper appointments of first Auditor

	Other than Government Company
By MD/WTD	X
Power delegated to MD	X
By AOA or MOA	X

Power to appoint auditor cannot be delegated.General rule applicable to all appointments.

CNO--CA.120

Sec 2 (45) - Definition of Government Company

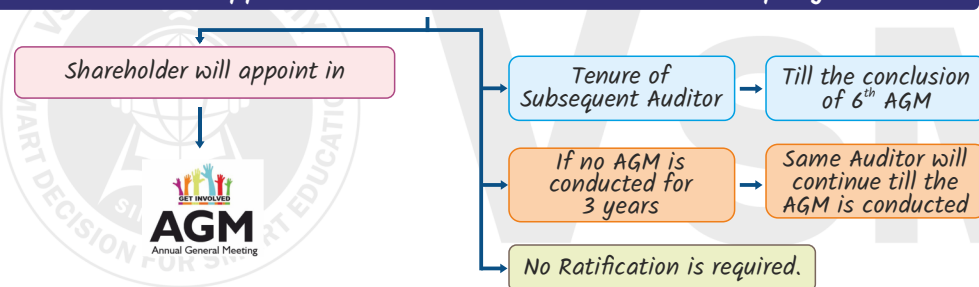


***Paid up Share Capital shall mean total voting power where shares with differential rights are issued

CNO--CA.140

SUBSEQUENT AUDITORS

Sec 139(1) - Appointment in other than Government Company:(OGC)



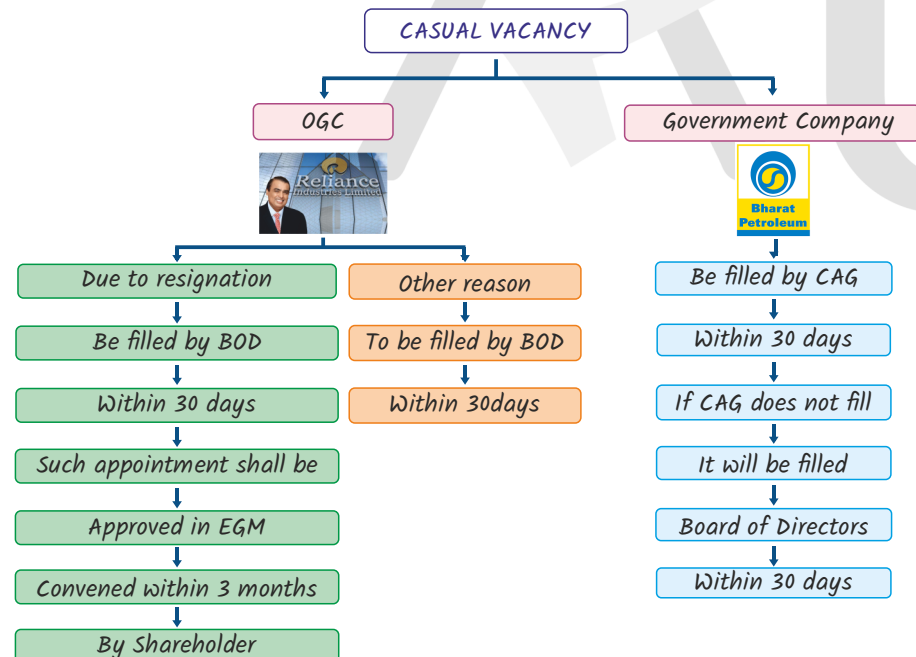
CNO--CA.140

Sec 139(5) - APPOINTMENT IN GOVERNMENT COMPANY (GC)



CNO--CA.160

SEC 139(8) - CASUAL VACANCY



***Casual Vacancy : Vacancy after proper appointment before end of tenure

***Special Case : Improper appointment - Void ab Initio - Not a Casual Vacancy

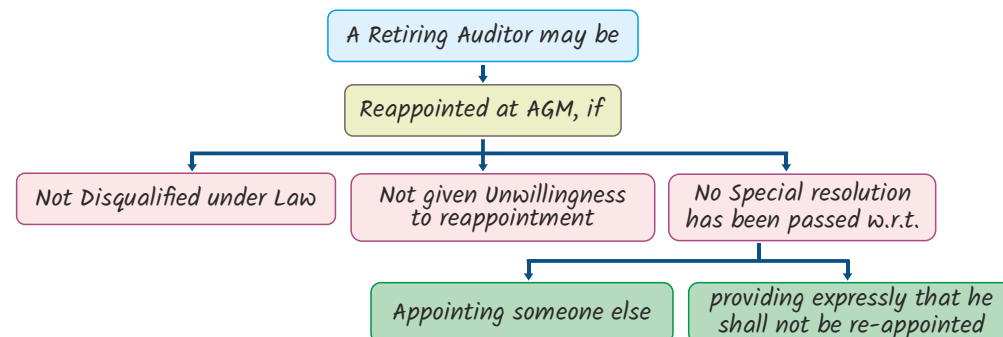
CNO--CA.180

SEC 139(10) - AUTOMATIC REAPPOINTMENT



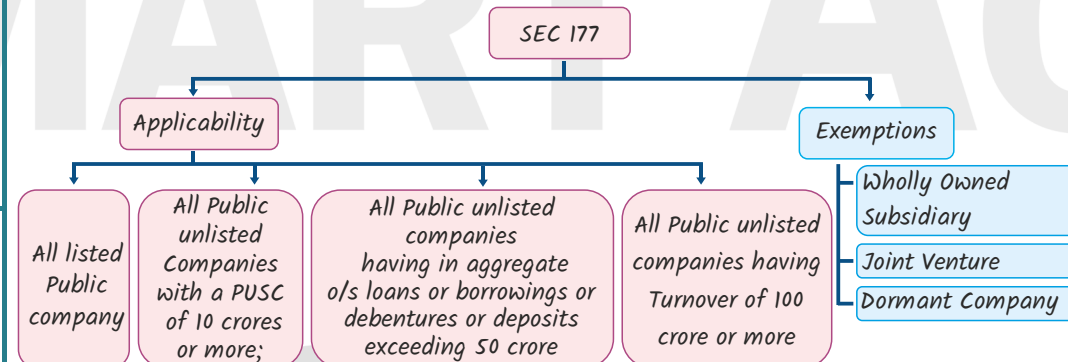
CNO--CA.180

SEC 139(9) - REAPPOINTMENT OF AUDITOR



CNO--CA.180

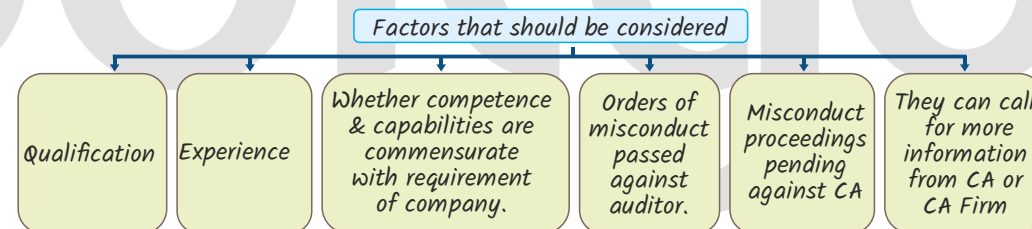
AUDIT COMMITTEE



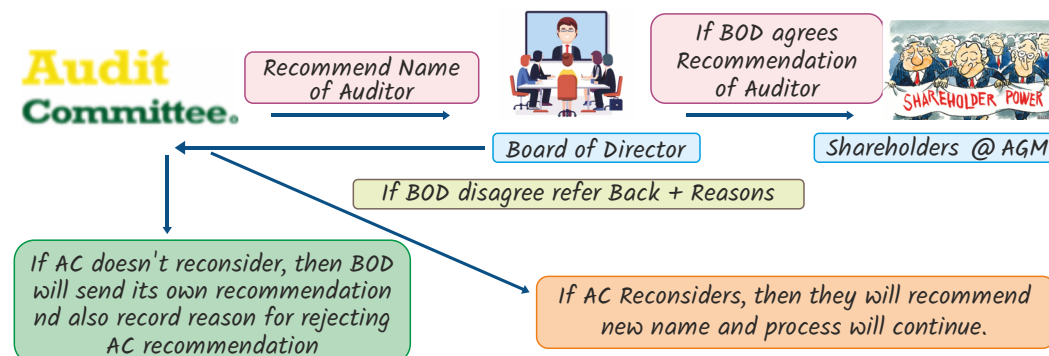
PROCEDURE FOR APPOINTMENT OF AUDITOR

STEP I Selection and Recommendation of Auditor

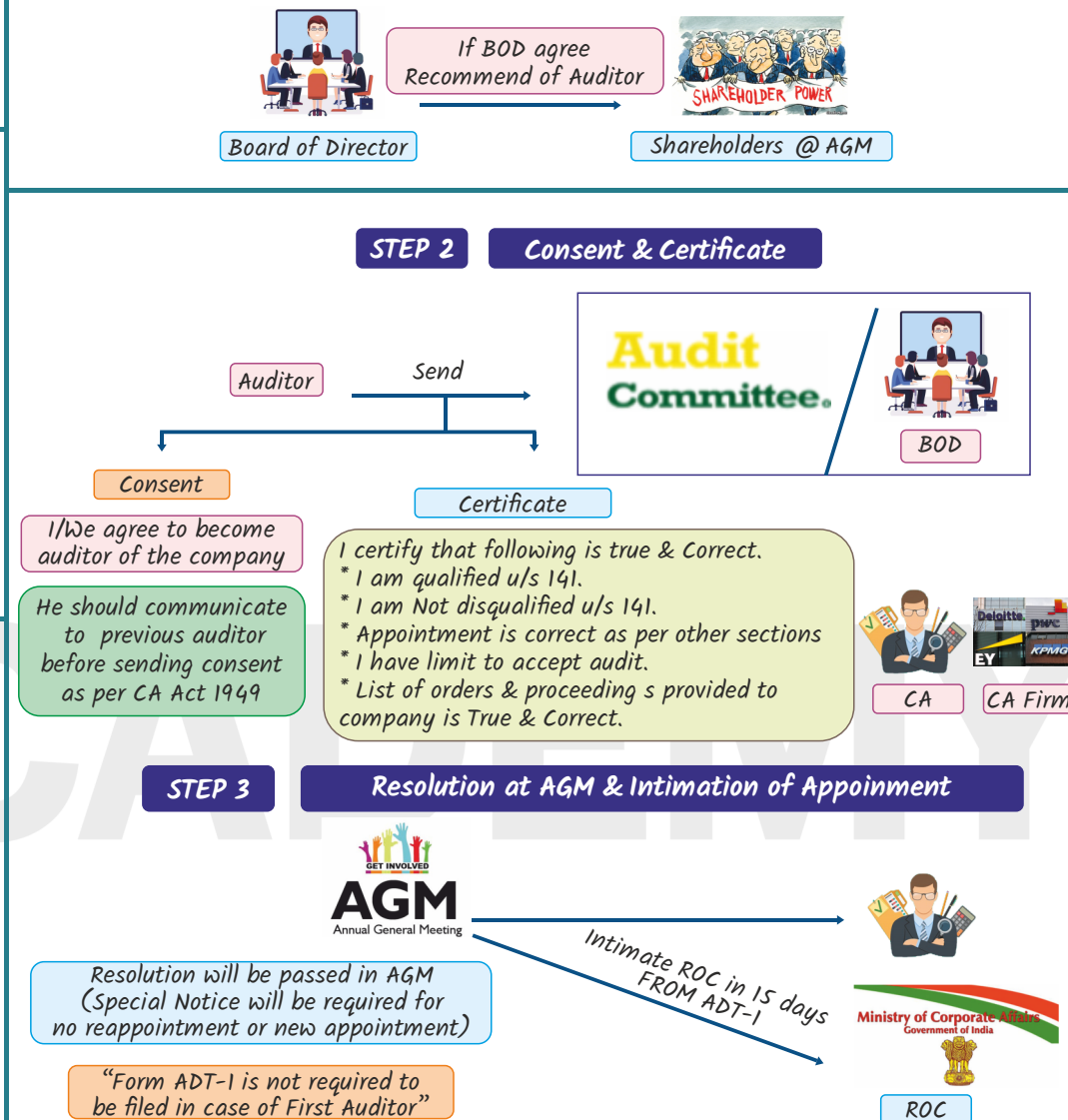
SELECTION BY AUDIT COMMITTEE / BOD AS THE CASE MAY BE



RECOMMENDATION PROCESS (AUDIT COMMITTEE- APPLICABLE)

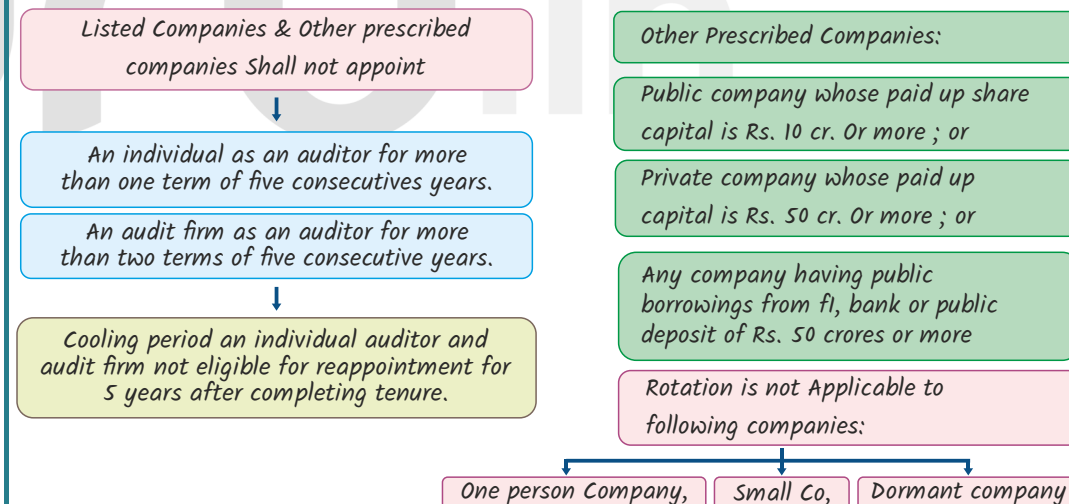


RECOMMENDATION PROCESS (AUDIT COMMITTEE - NOT APPLICABLE)



CNO--CA.200

SEC 139(2) - ROTATION OF AUDITOR



CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

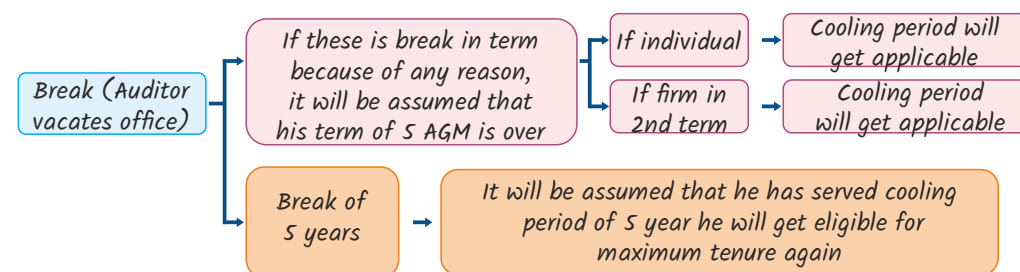
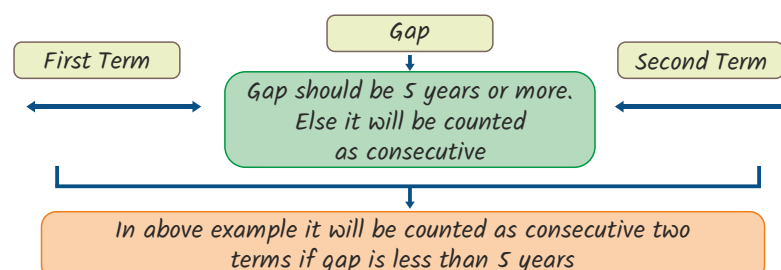
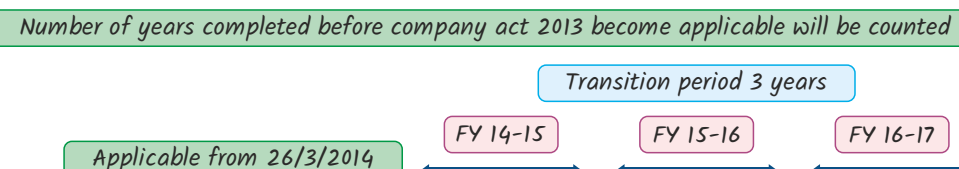
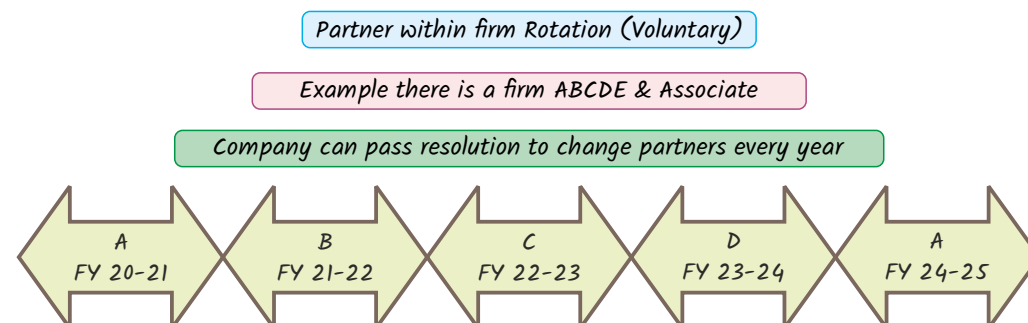
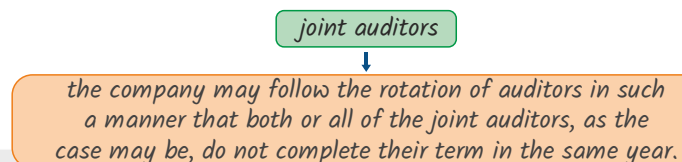
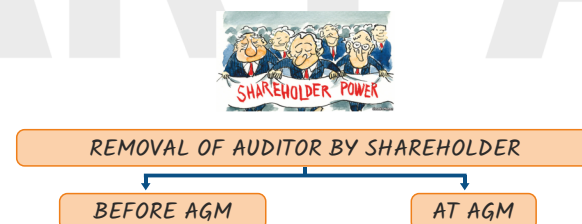
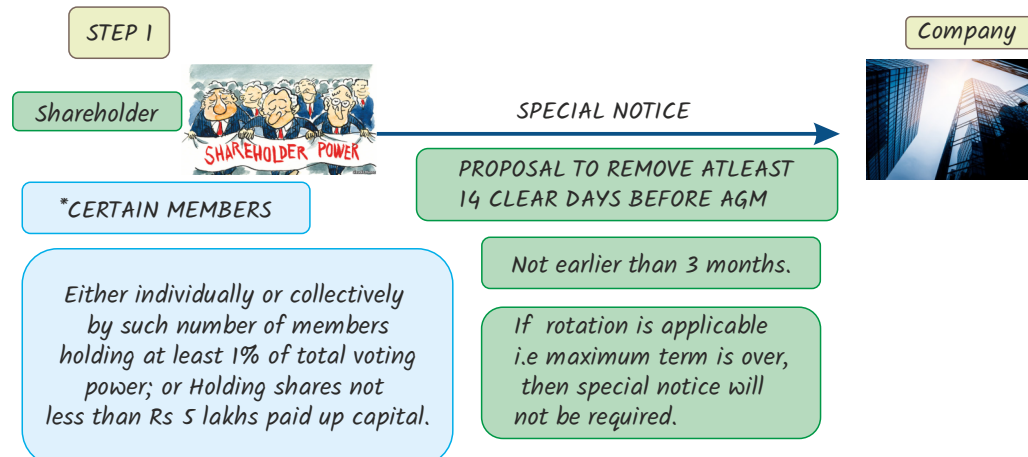
CA Ravi Taori



Doubts



Telegram

Rotation of Auditor 139(2) & Rule 6 of CAAR**Key Point 1 (Delhi)****Key Point 2 (Kolkata)****Key Point 3 (Chennai)****Key Point 4 Bengaluru****Key Point 5 (Mumbai)****Key Point 6 (Jaipur)****Key Point 7 (Jammu)****SEC 140 - REMOVAL & RESIGNATION****REMOVAL BEFORE AGM - Sec 140 (1) & CAAR Rule 7****SEC 140 (4) - REMOVAL OF AUDITOR AT AGM -**

Company

IMMEDIATELY SEND COPY OF SPECIAL NOTICE

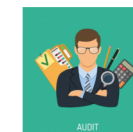


Auditor



Company

AUDITOR WILL SEND REPRESENTATION LETTER OF REASONABLE LENGTH (SHOULD NOT BE USED FOR NEEDLESS PUBLICITY OR DEFAMING COMPANY)



Auditor

Complaint to NCLT - Right is abused by auditor - if NCLT satisfied - Stop Circulation



Company

SEND COPY OF "SPECIAL NOTICE" ATLEAST 7 DAYS BEFORE MEETING

+ SPECIFY THAT REPRESENTATION IS MADE

+ COPY OF REPRESENTATION BY AUDITOR If representation is not circulated because received too late or because of mistake of company- It should be read at AGM & Copy should be sent to ROC



Shareholder



Resolution will be passed in AGM



AUDITOR REMOVED

*****IMPORTANT OBSERVATIONS**

(a) Procedures of section 140(4) are applicable in following cases (Removal)

1. No re appointment of retiring auditor at AGM

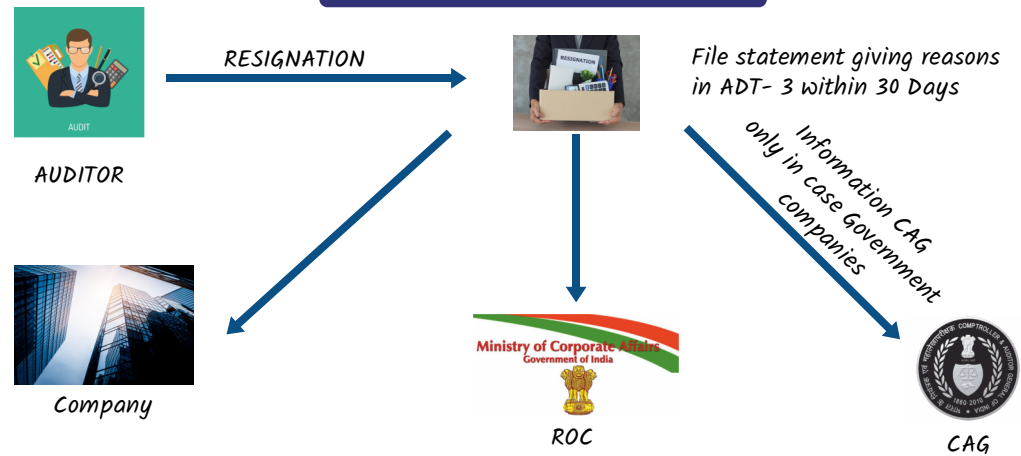
2. Appointing auditor other than retiring auditor at AGM

(b) Reconstitution of audit firm does not mean automatic removal of auditor. If there is dissolution then it means removal.

(c) If any of the joint auditor is not re-appointed then it will lead to removal of that joint auditor and section 140(4) will be applicable

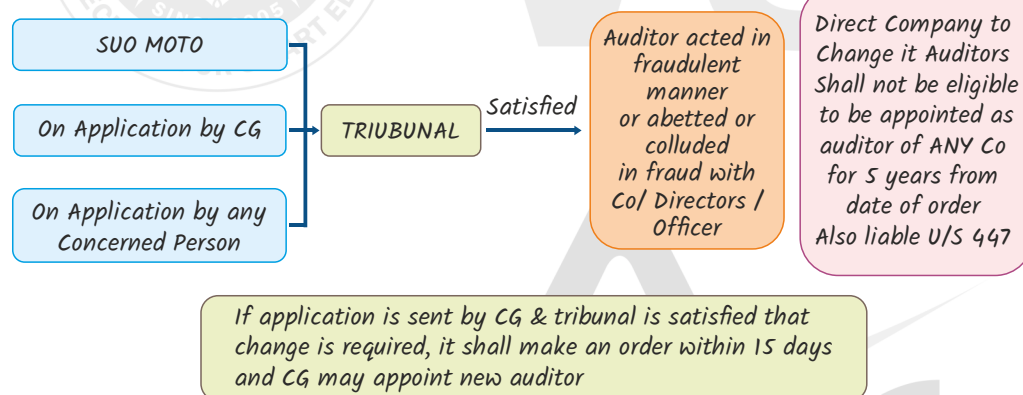


SEC 140 (2) - RESIGNATION

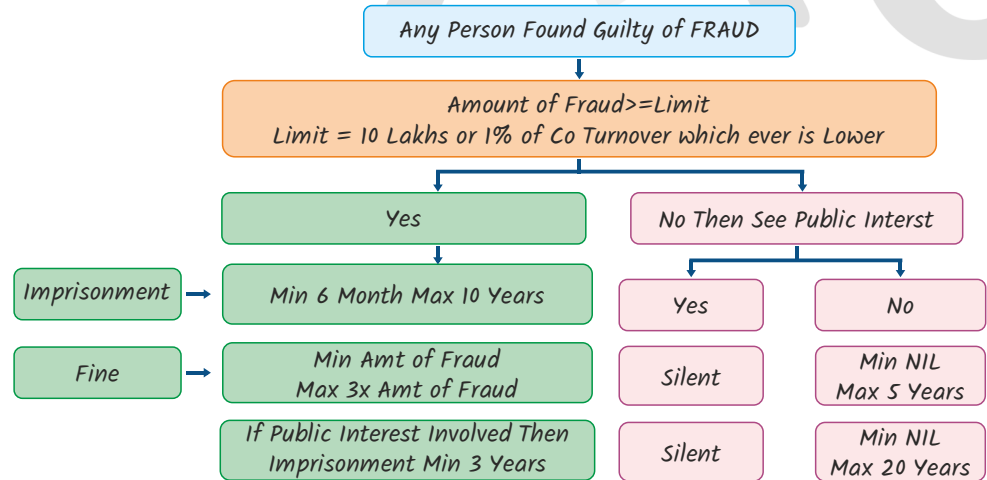


Penalty :- (a) Non-Compliance will lead to penalty of 50,000 or remuneration of auditor whichever is lower (b) In case of continuing failure, with a further penalty of 500 per day after the first day of non-compliance during which such failure continues, subject to a

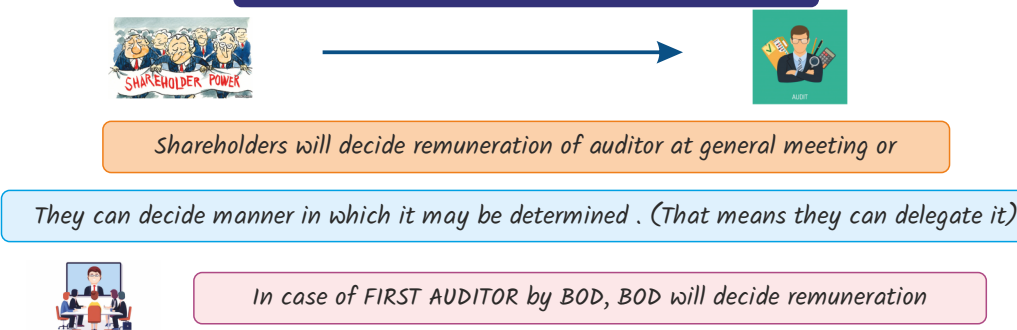
SEC 140 (5) - REMOVAL BY TRIBUNAL



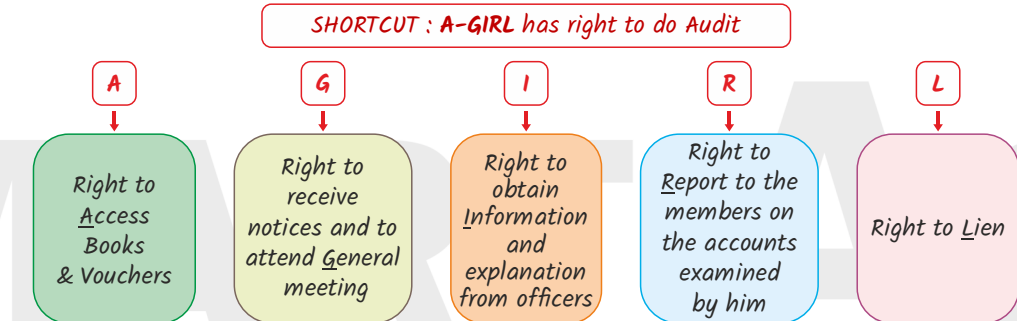
SECTION 447 PUNISHMENT FOR FRAUD



SEC 142 (1) & (2) - REMUNERATION -

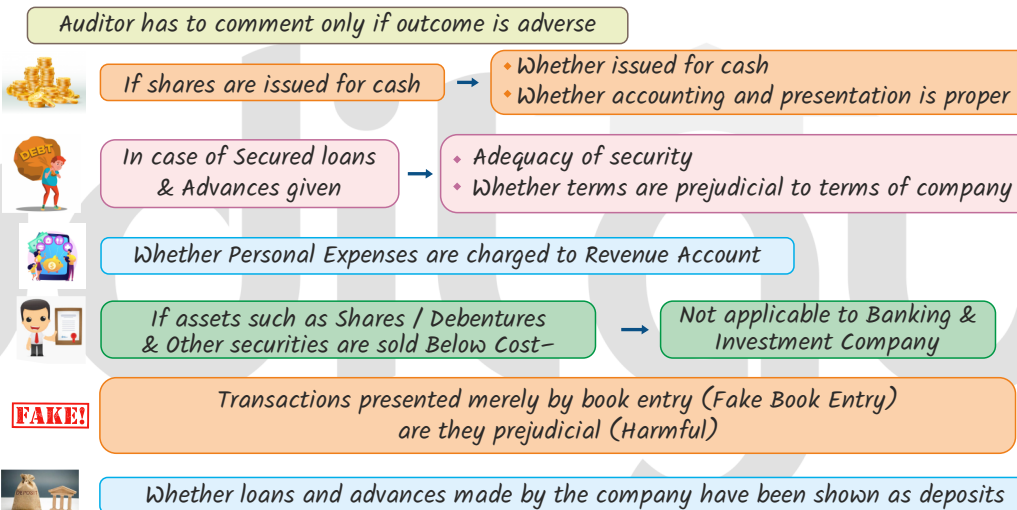


RIGHTS OF AUDITOR



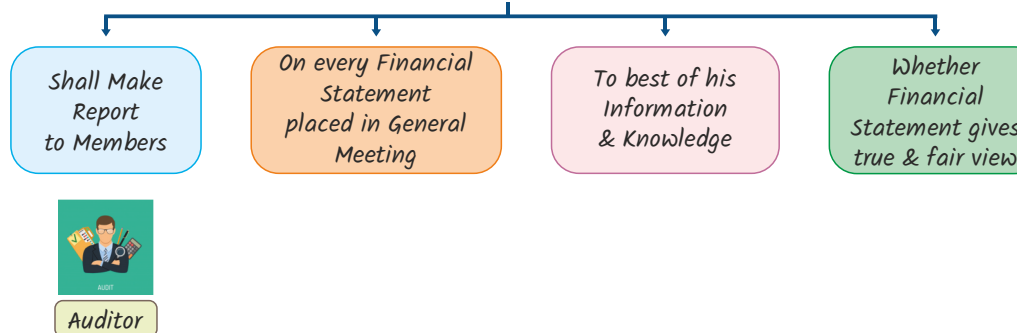
DUTIES OF AUDITOR

SEC 143 (1) - INQUIRY BY AUDITOR

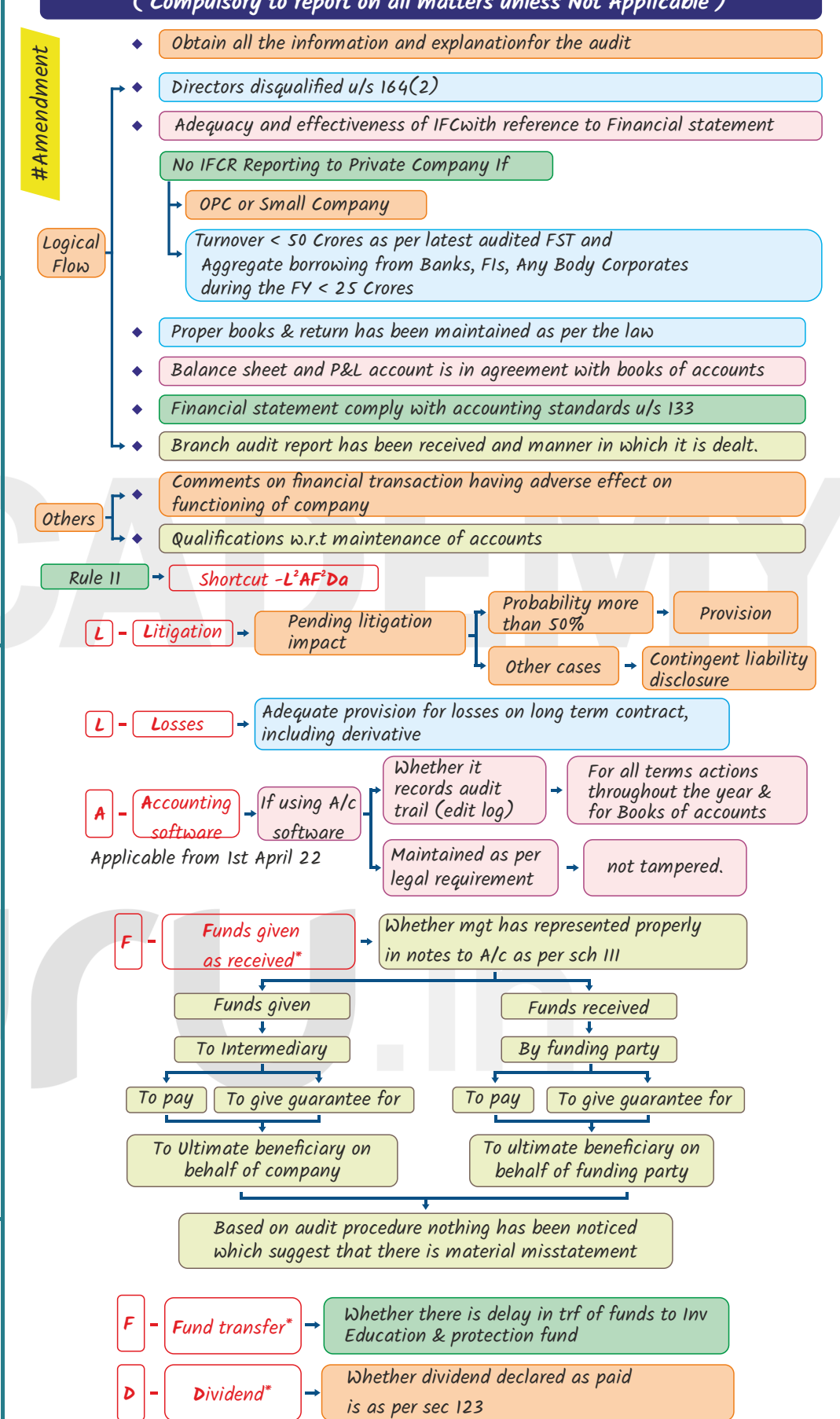


SEC 143 (2)

MAKING AUDIT REPORT



SEC 143 (3) - MATTERS TO BE INCORPORATED IN AUDIT REPORT (Compulsory to report on all matters unless Not Applicable)



143 (4)(c) REASONS FOR NEGATIVE COMMENTS

For matter reported with a qualification - Auditors shall state reasons thereof

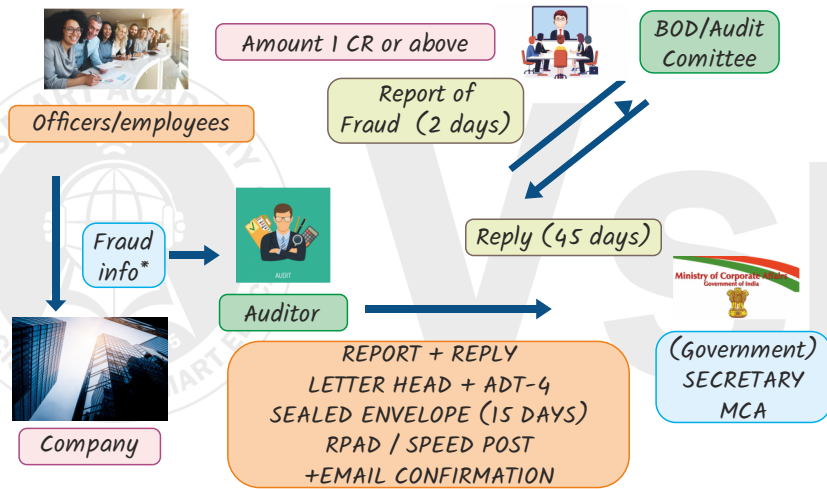
CNO--CA.240

SEC 197

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 in Audit Report

CNO--CA.240

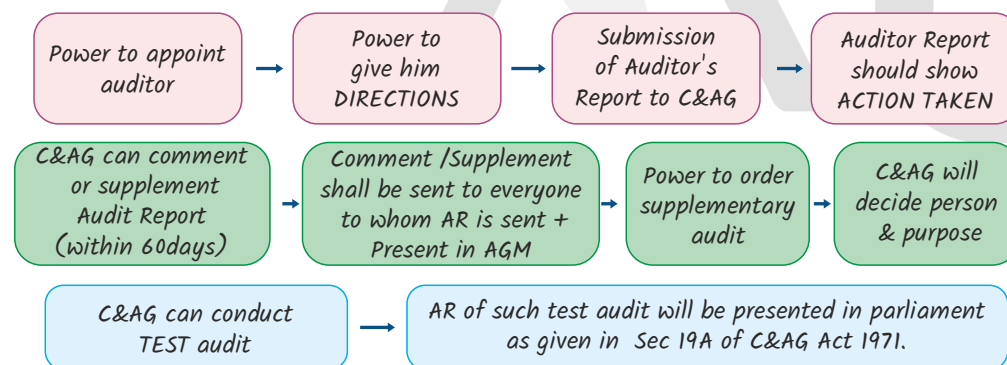
DUTY TO REPORT ON FRAUDS U/S 143(12)



- Reason to believe that fraud is being committed / already committed
 - Also applicable to Cost Auditor (CMA) & Company Secretary (CS)
 - Will not be considered as breach of principle of confidentiality
- *For listed company Rs. 5,00,000 For any other company Rs.1,00,000

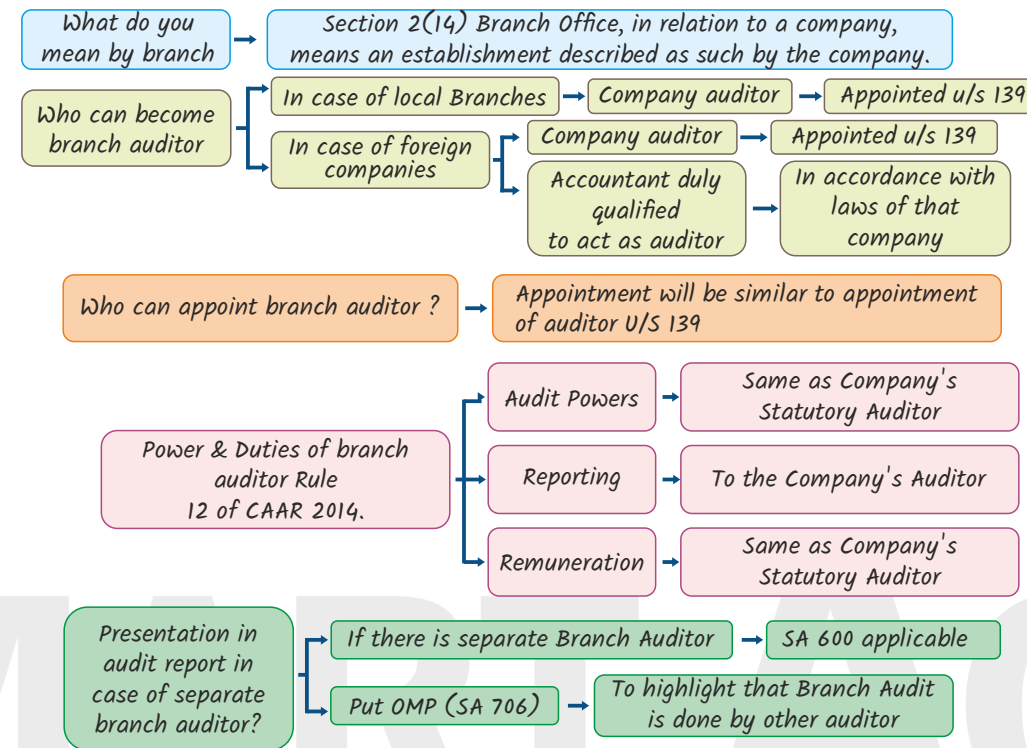
CNO--CA.340

SEC 143 (5)(6)(7) POWERS OF C&AG IN CASE OF GOVERNMENT COMPANY



CNO--CA.360

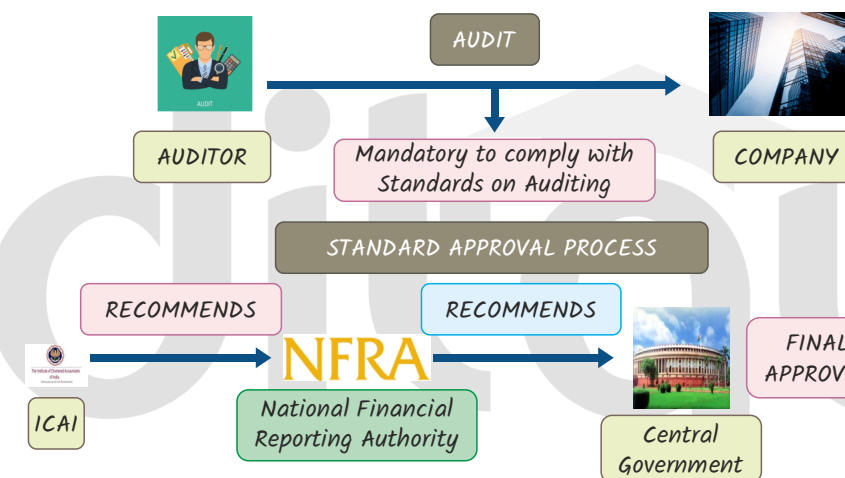
SEC 143 (8) - BRANCH AUDIT



CNO--CA.380

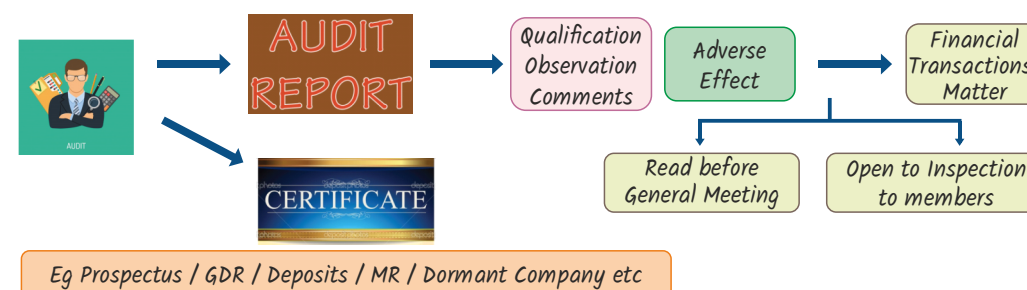
AUDITING STANDARDS

Sec 143 (9) / (10)



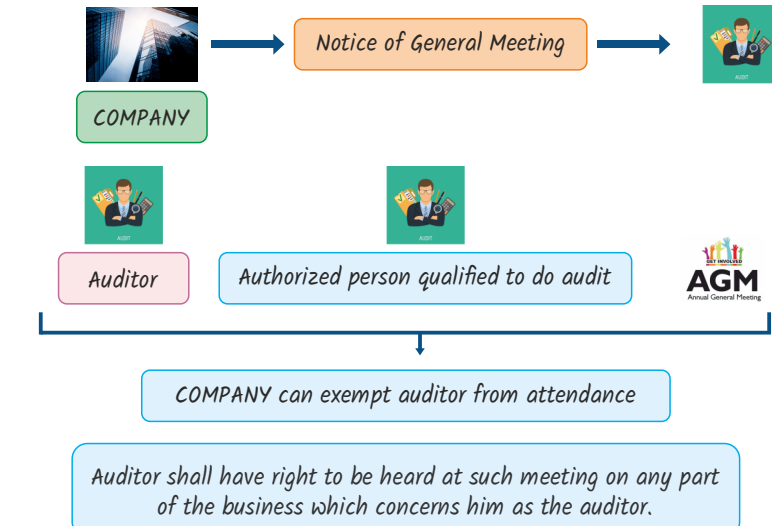
SIGNING AUDIT REPORT

Sec 145



ATTENDING GENERAL MEETING

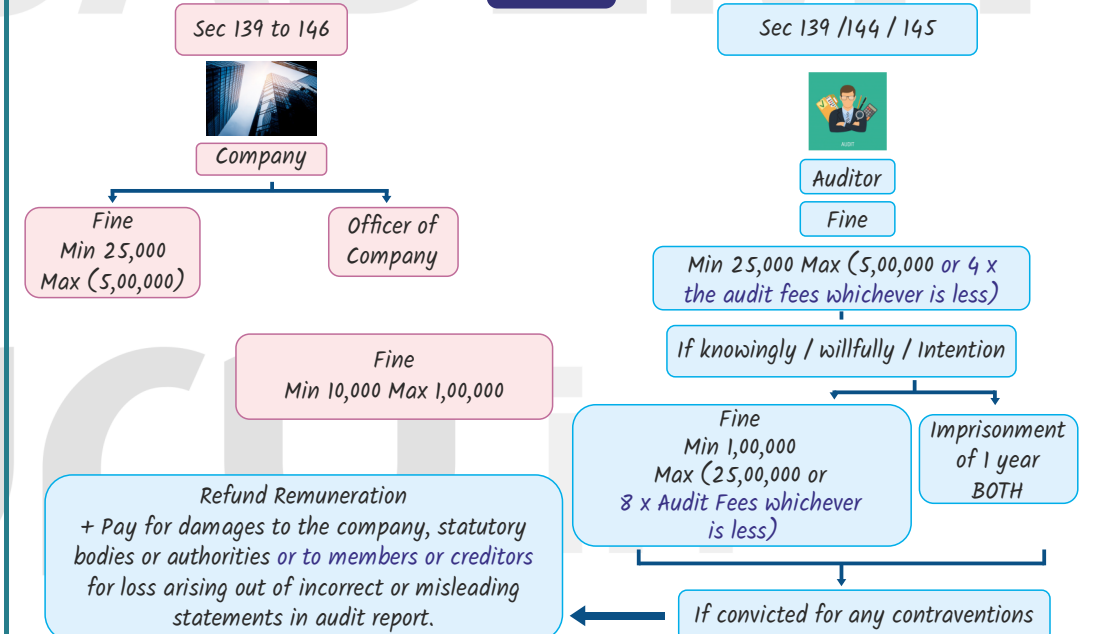
Sec 146



CNO--CA.480

PENALTIES

Sec 147



COST AUDIT**APPLICABILITY OF COST RECORD & AUDIT****Provisions of sec 148 & cost audit rules**

Cost records are mandatory to all companies including foreign companies Engaged in production of goods or providing services

Cost Records if overall
TO > = 35 Crores



Cost Audit if overall
TO > = 50 Crores and
Aggregate Individual
TO > = 25 Crores

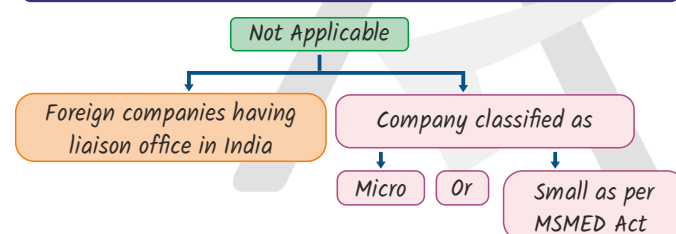
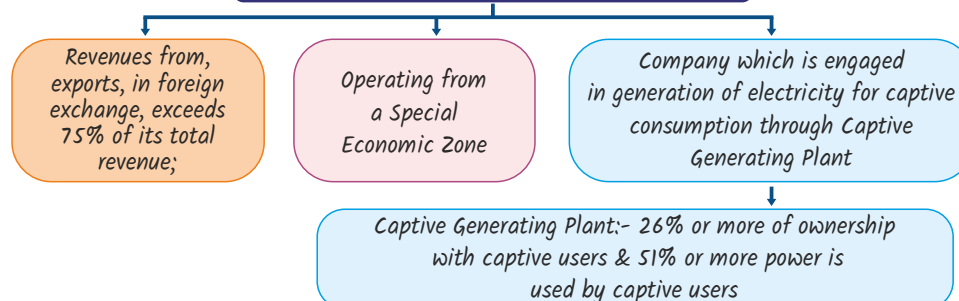
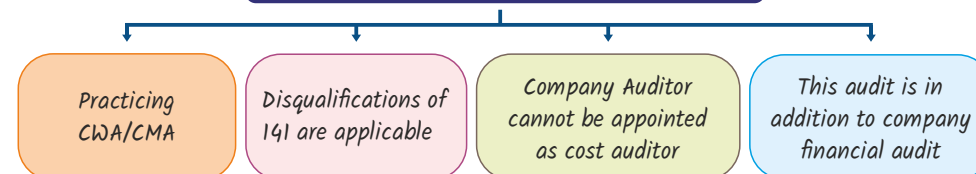
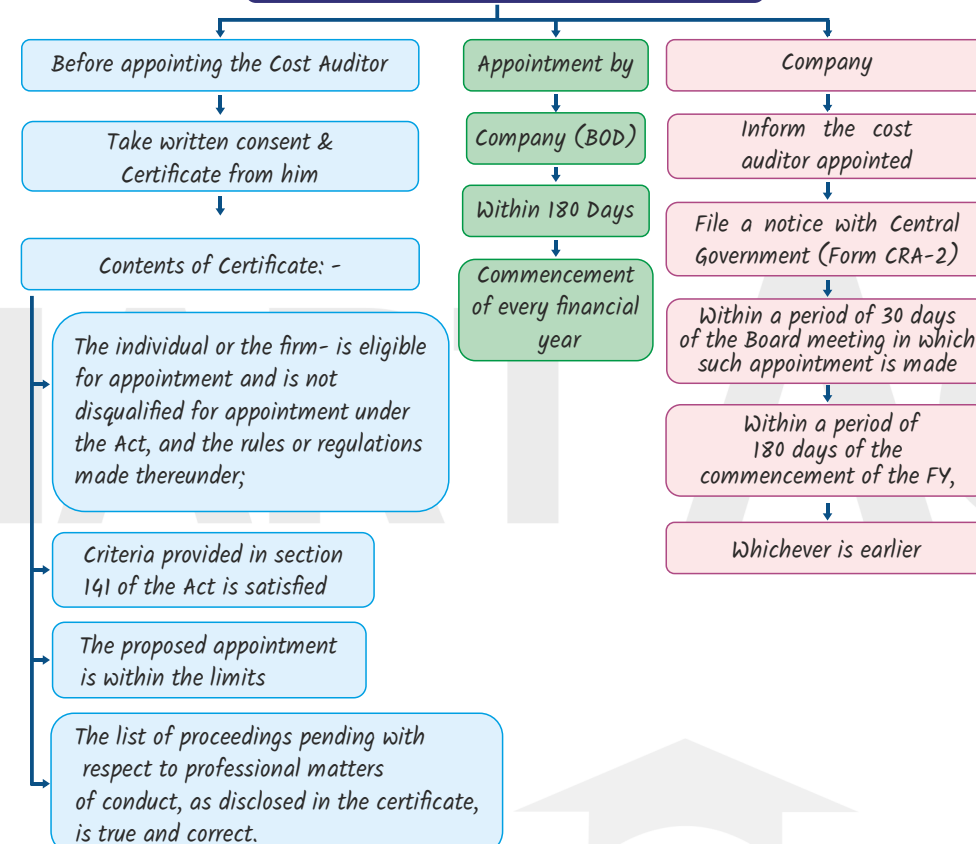
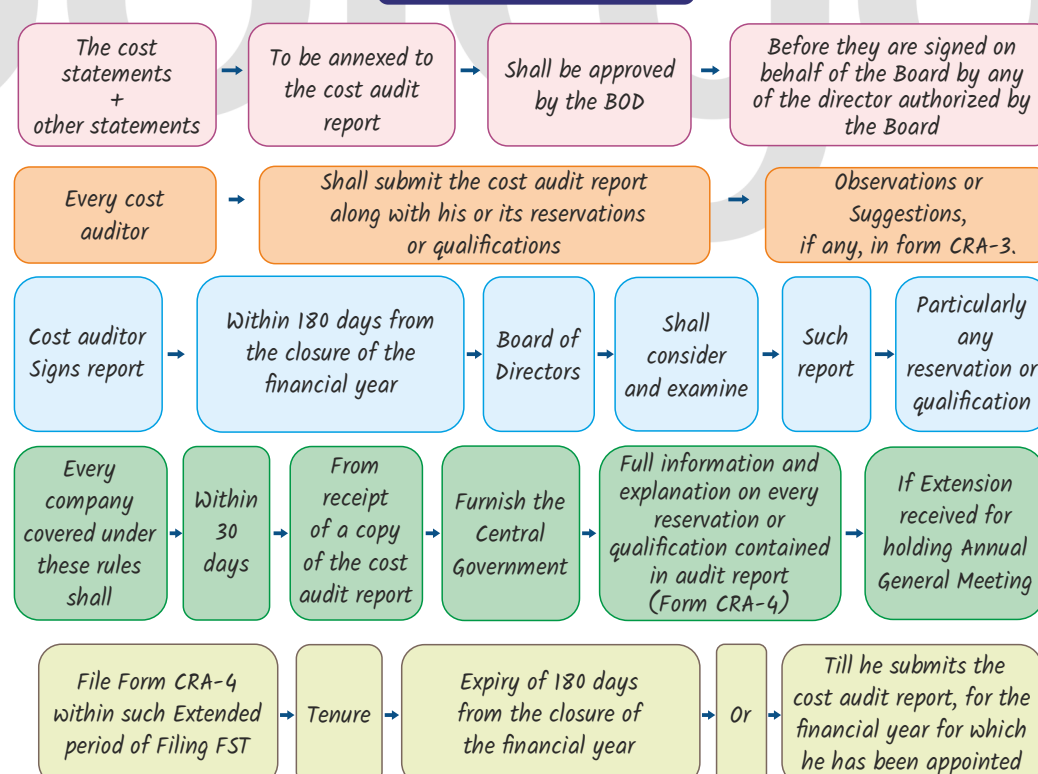
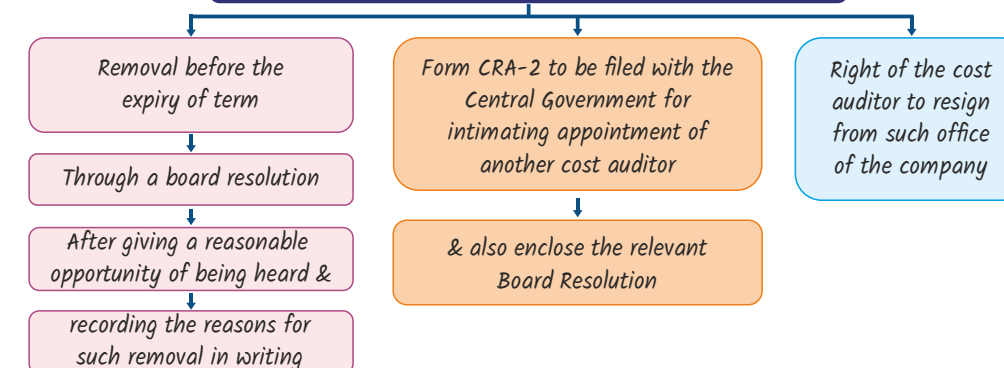
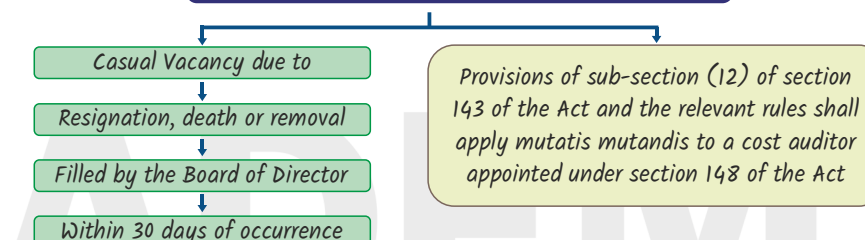
Cost Audit if overall
TO > = 100 Crores and
Aggregate Individual
TO > = 35 Crores

All turnovers referred above are of PRECEDING YEARS.

Shortcut to Remember Industries in Regulated Sector **SET - PDF**



NOTE: Cost Records / Cost Audit will not be applicable in first year of newly formed Company.

EXEMPTIONS FROM COST AUDIT RECORDS**EXEMPTIONS FROM COST AUDIT****WHO CAN DO COST AUDIT ?****APPOINTMENT OF COST AUDITOR****COST AUDIT REPORT****REMOVAL & RESIGNATION OF COST AUDITOR****CASUAL VACANCY OF COST AUDITOR****COST AUDIT RELATED FORMAT**

CRA-1	Format of Cost Records
CRA-2	Intimation of Appointment to CG
CRA-3	Format of Cost Audit Report
CRA-4	Intimation of Cost Audit Report



CNO-COST.040

Part 2 – CARO

APPLICABILITY OF CARO

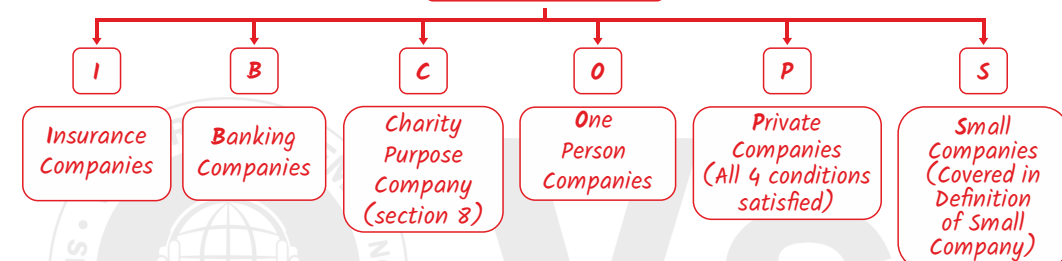
All Companies (From FY 2021-22)

Including Foreign companies

CNO-COST.040

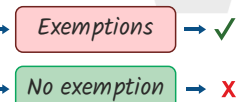
EXEMPTION FROM CARO

ShortCut : IB-COPS



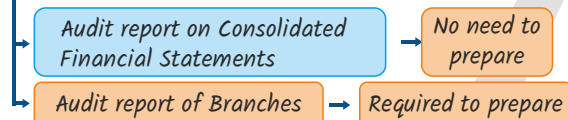
CNO-COST.040

IMPORTANT PARTS IN EXEMPTIONS



CNO-COST.040

GENERAL CASES

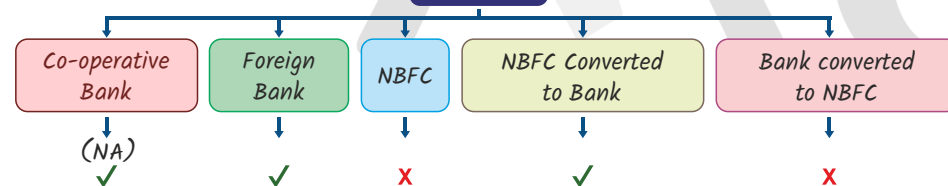


INSURANCE COMPANIES



CNO-COST.040

BANKS



CNO-COST.040

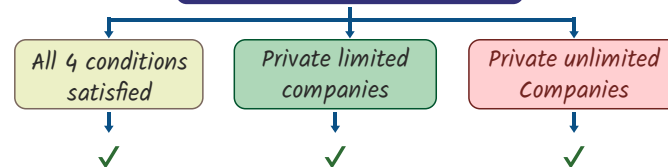
CHARITY PURPOSE/OPC

No Specific cases

*** Note:- When to check these conditions, if no specific instruction, check if as on B/s date

CNO-COST.040

PRIVATE COMPANIES



CNO-COST.040

1ST CONDITION- HOLDING/SUBSIDIARY SHOULD NOT BE A PUBLIC COMPANY

Check status as on B/s date

Private Company is subsidiary of foreign company (Public status abroad) → ✓

CNO-COST.040

2ND CONDITION- PAID UP CAPITAL & RESERVES SHOULD NOT EXCEEDS 1 CRORE AS ON BS DATE

Company Paid-up Capital & Reserves

Included

Excluded

- Equity Share Capital
- Preference Share Capital
- Calls in Arrears(-)
- Share Forfeiture A/c
- General Reserves
- P&L Balances
- P&L debit Balances(-)
- Securities Premium
- Capital Reserves
- Revaluation Reserves
- Employees Stock Option O/s A/c

- Calls in Advance
- Share Application
- Fictitious Assets (Don't Deduct)

CNO-COST.040

3RD CONDITION LOAN FROM BANKS AND FI'S SHOULD NOT EXCEED 1 CRORE ANYTIME DURING THE YEAR

Included

Excluded

- Loan from NBFC
- Interest Due
- Funded Facilities
- Portion payable within 12 months
- Short term/ Long Term
- Secured/Unsecured
- Secured by Fixed Deposit
- CC Limit (see actual loan taken)
- Loan crossed above 1 Crore but repaid by year end

- Loan from Individuals
- Unfunded facilities till the time they don't devalue (Eg. LC & Guarantee)
- Interest Accrued

CNO-COST.040

4TH CONDITION TOTAL REVENUE SHOULD NOT EXCEED 10 CRORE

Included

Excluded

- Sale of Good/Services
- Sales Return(deduct all returns irrespective of year of sale)
- IDT (Inclusive Method)
- Sale of Scrap
- Interest/Dividend Income
- P/L on sale of FA
- P/L on sale of Investment

- IDT (Exclusive method)
- Advance Received

SMALL COMPANY DEFINITION

(Other than public co.(Pvt. Co.)

- Not Section 8 Company
- Not having holding or Subsidiary
- Not governed by special Act

Paid up capital should not exceed 4 crore (Limit can be increased to 10 crore)

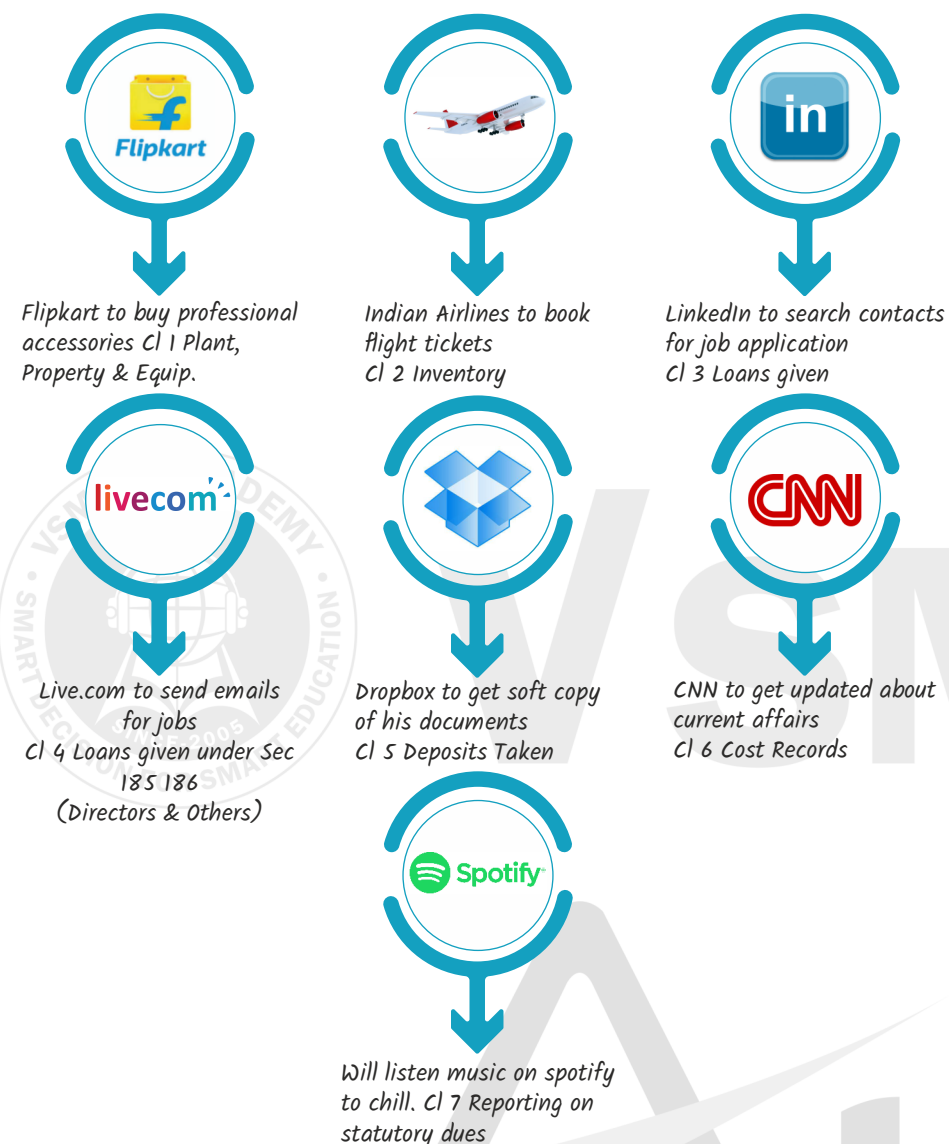
Turnover of LY should not exceed 40 Crore (Limit can be increased to 100Crore)

***If Private company satisfies either 4 conditions or definition of small company they will get exemption

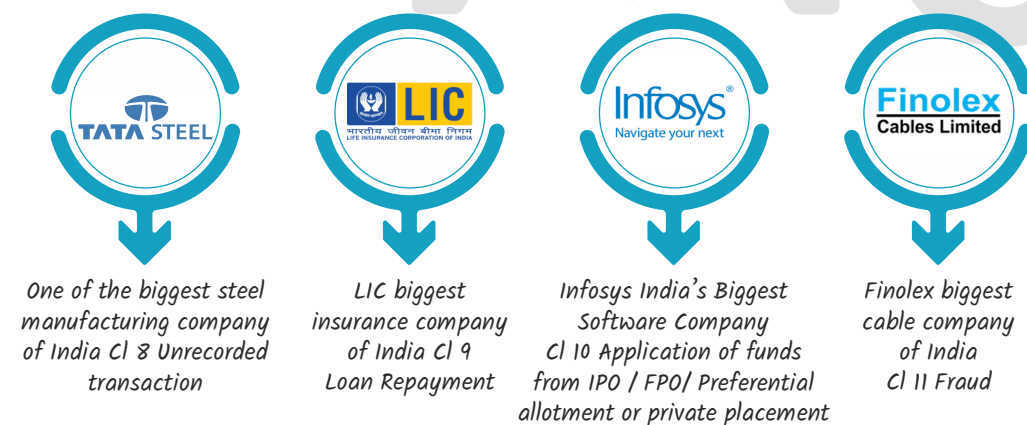


SHORT CUT TO REMEMBER CLAUSES OF CARO 2020

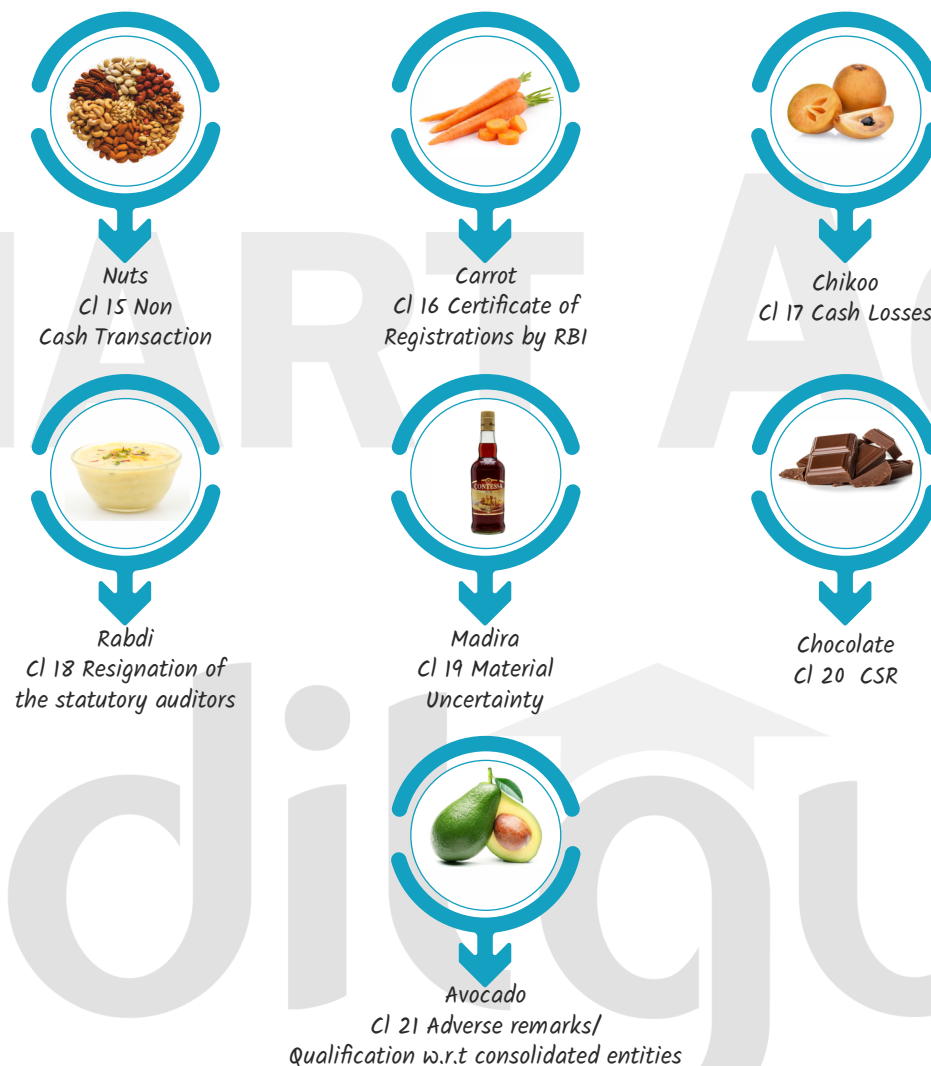
SLIDE 1 (After Passing CA)



SLIDE 2 (Job Interviews)



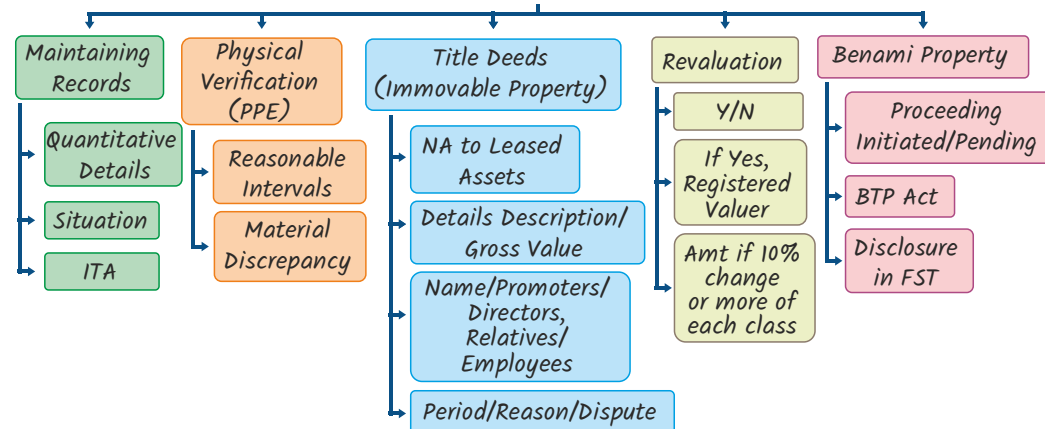
Slide 3 (Good Food V/s Bad Food)



CNO-CARO.080

CLAUSE 1

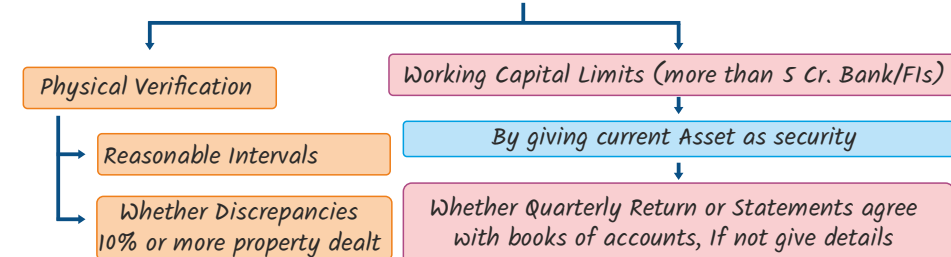
FIXED ASSETS (TANGIBLE & INTANGIBLE)



CNO-CARO.090

CLAUSE 2

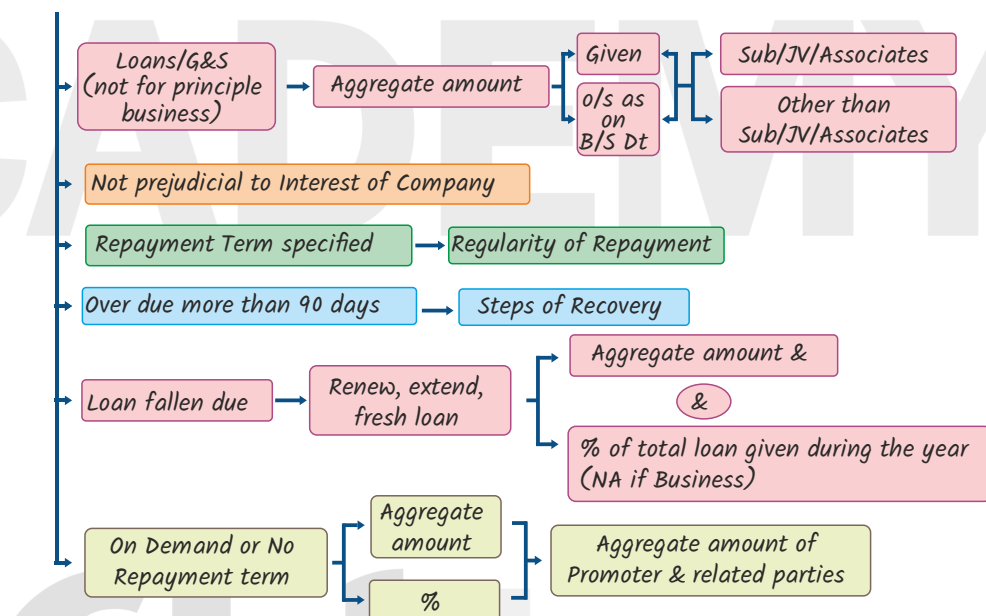
INVENTORY



CNO-CARO.100

CLAUSE 3

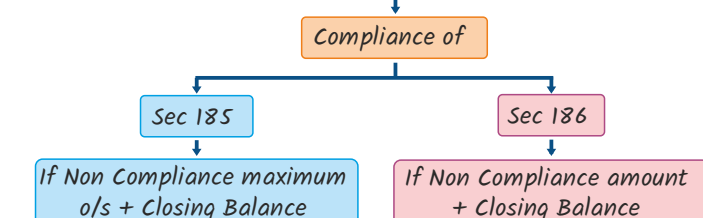
INVESTMENTS/LOANS/GUARANTEE OR SECURITIES (IF YES)



CNO-CARO.110

CLAUSE 4

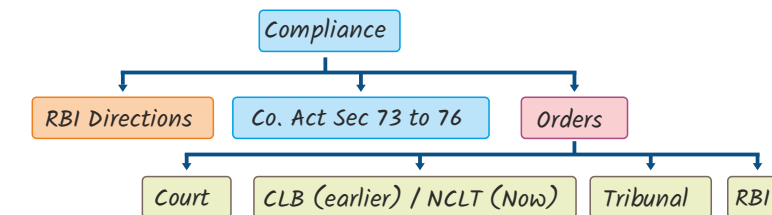
LOAN/INVESTMENT/GUARANTEE & SECURITIES



CNO-CARO.120

CLAUSE 5

DEPOSITS ACCEPTED



CNO-CARO.130

CLAUSE 6

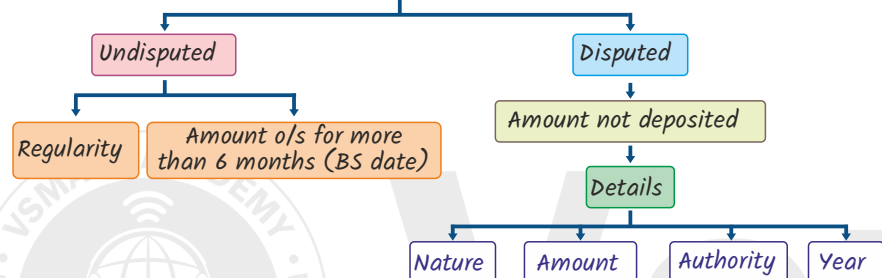
COST RECORDS APPLICABLE SEC 148

Made & Maintained → General Review+ WR → Prima facie Opinion

CNO-CARO.140 QNO- 399.500 / 400.000/ 401.000/402.000 MCQ-CARO.03 / Incs.10.2 / Incs.31.3

CLAUSE 7

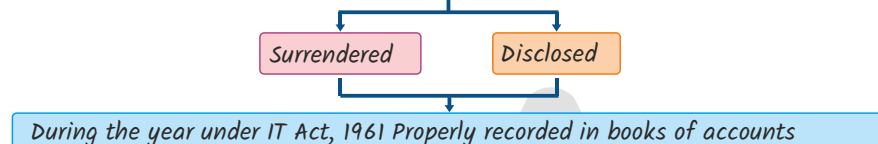
STATUTORY DUES



CNO-CARO.150

CLAUSE 8

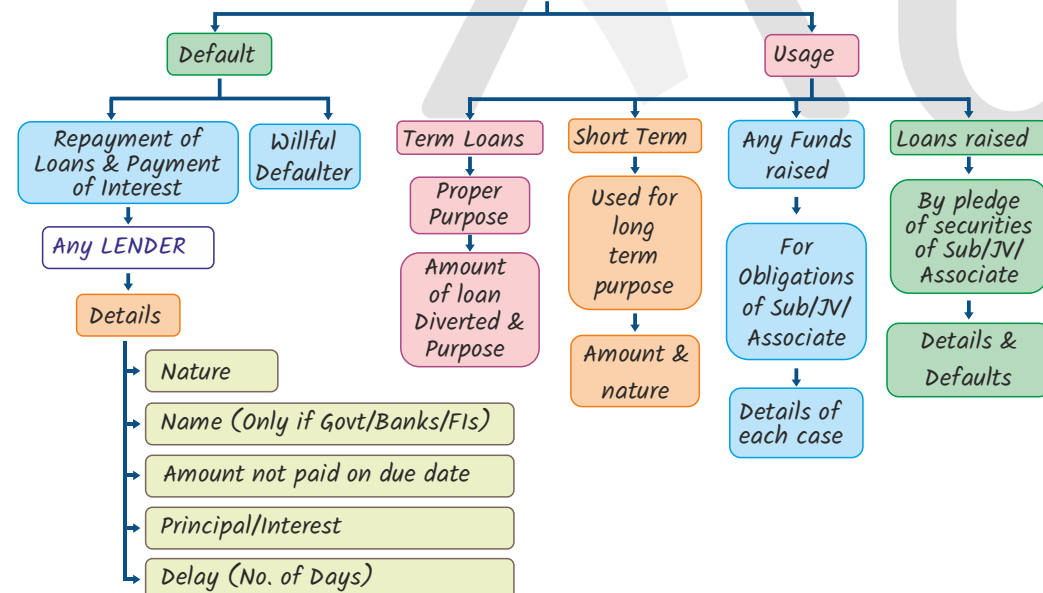
UNRECORDED TRANSACTION



CNO-CARO.160

CLAUSE 9

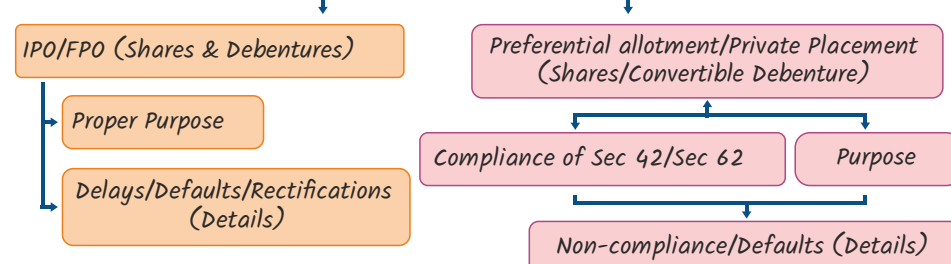
DEFAULT & USAGE



CNO-CARO.170

CLAUSE 10

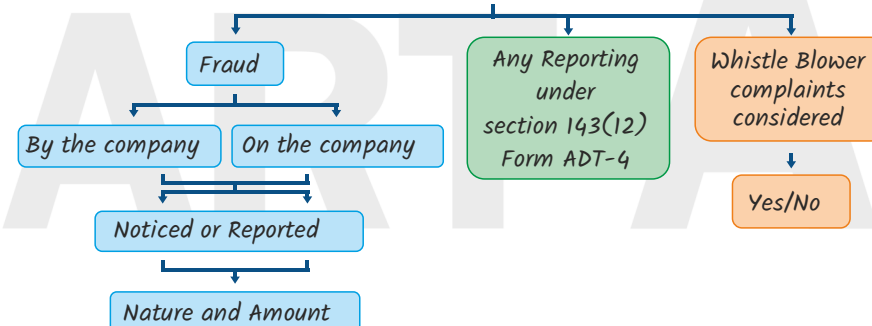
FUNDS RAISED



CNO-CARO.180

CLAUSE 11

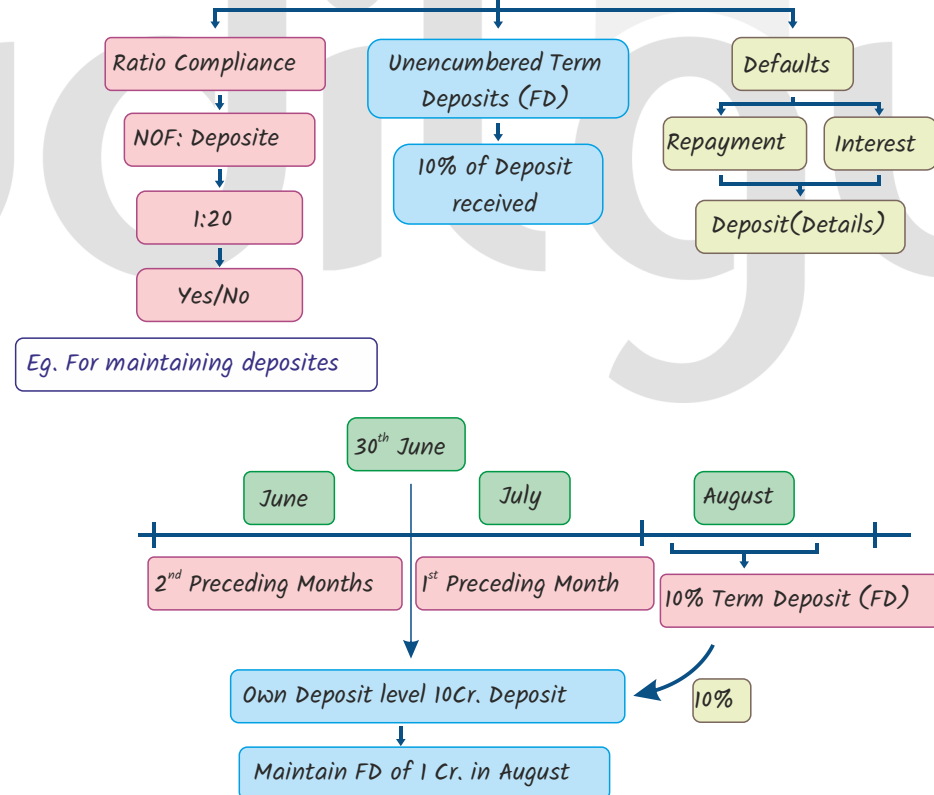
FRAUD REPORTING



CNO-CARO.190

CLAUSE 12

NIDHI COMPANY

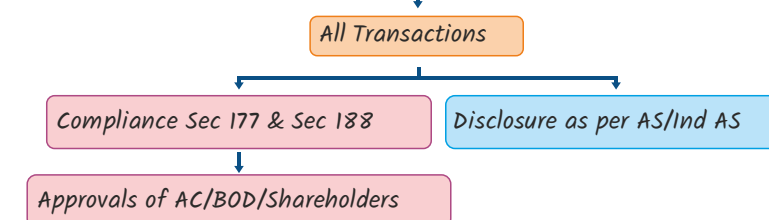


*** 10% Term Deposit has to be maintained as per level of deposits received as on last working date of second preceding month

CNO-CARO.200

CLAUSE 13

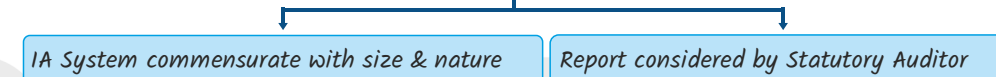
RELATED PARTIES



CNO-CARO.210

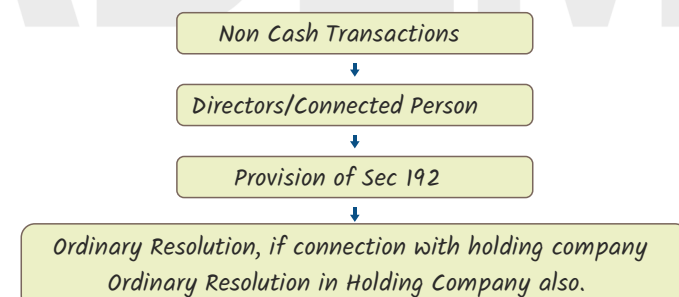
CLAUSE 14

INTERNAL AUDIT



CNO-CARO.220

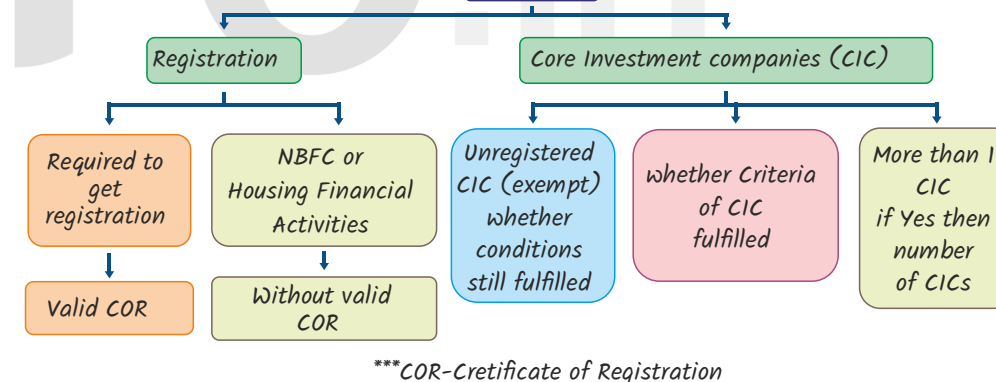
CLAUSE 15



CNO-CARO.230

CLAUSE 16

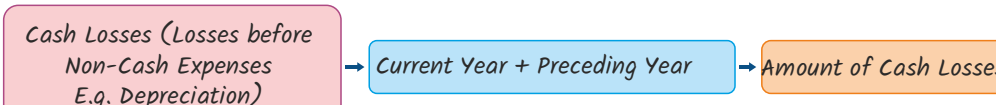
NBFC



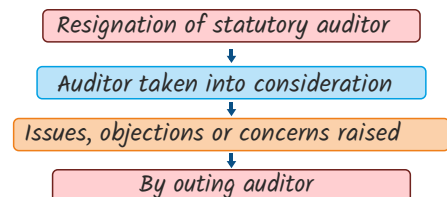
***COR-Certificate of Registration

CNO-CARO.240

CLAUSE 17

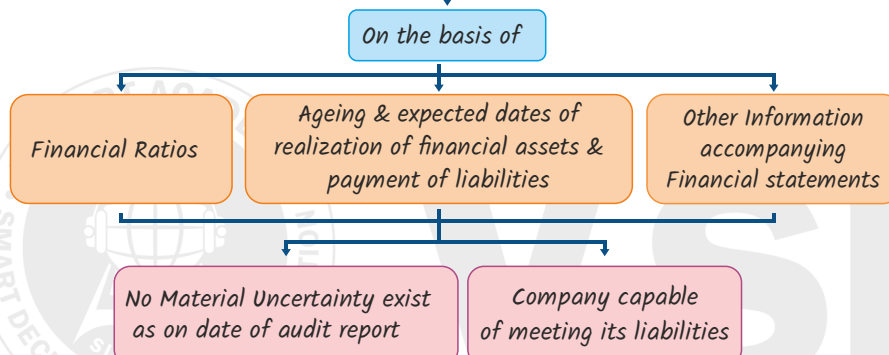


CLAUSE 18



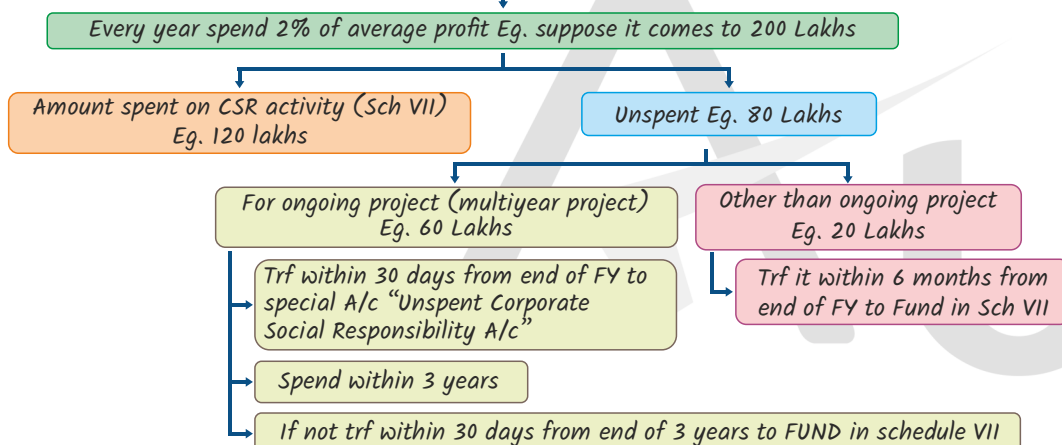
CLAUSE 19

MATERIAL UNCERTAINTY



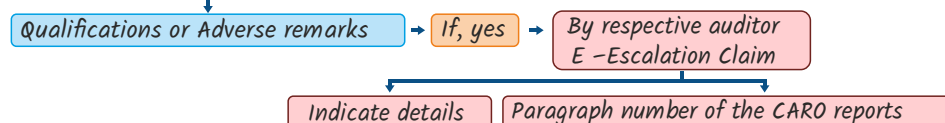
CLAUSE 20

SEC 135



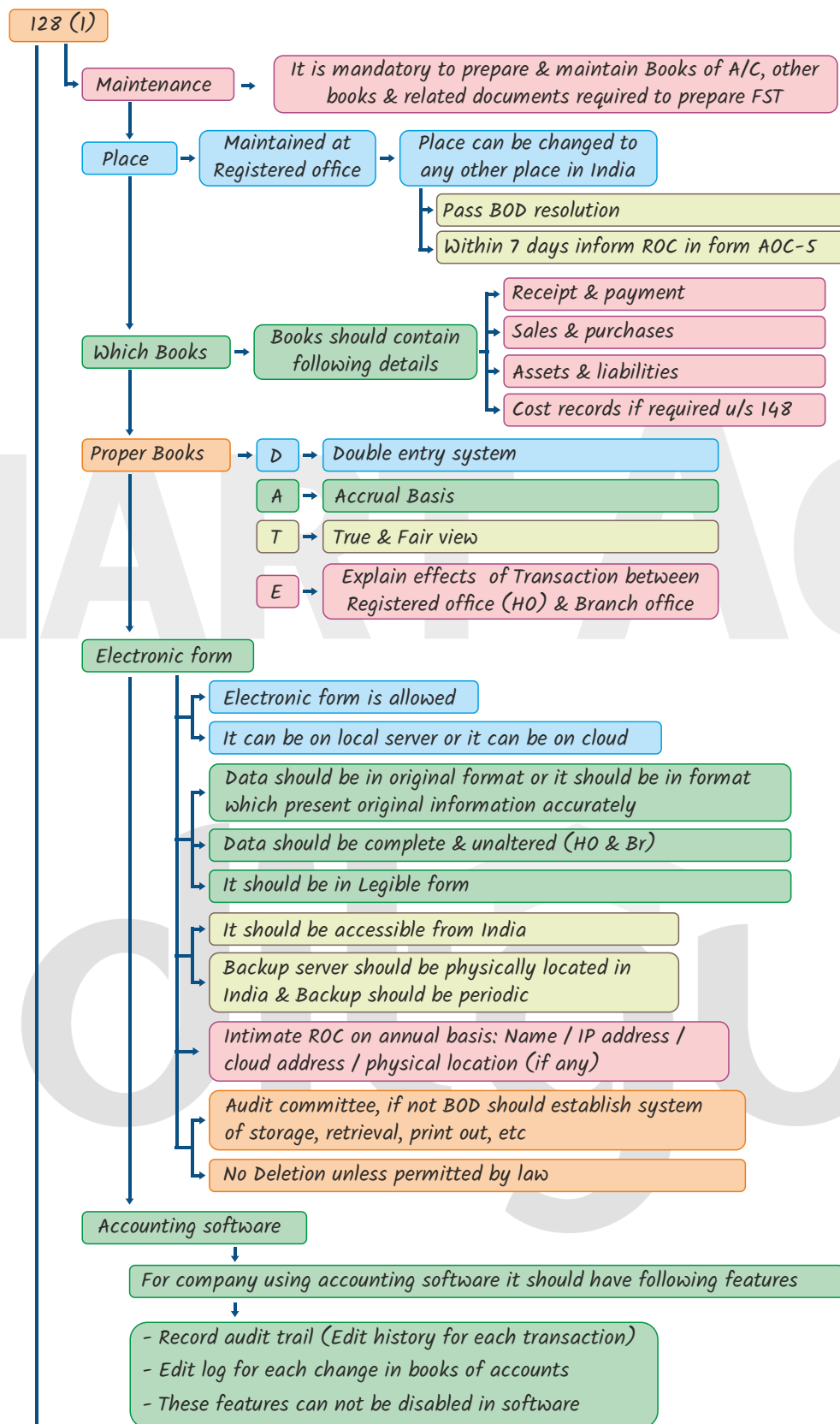
CLAUSE 21

CARO REPORT OF COMPANY INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

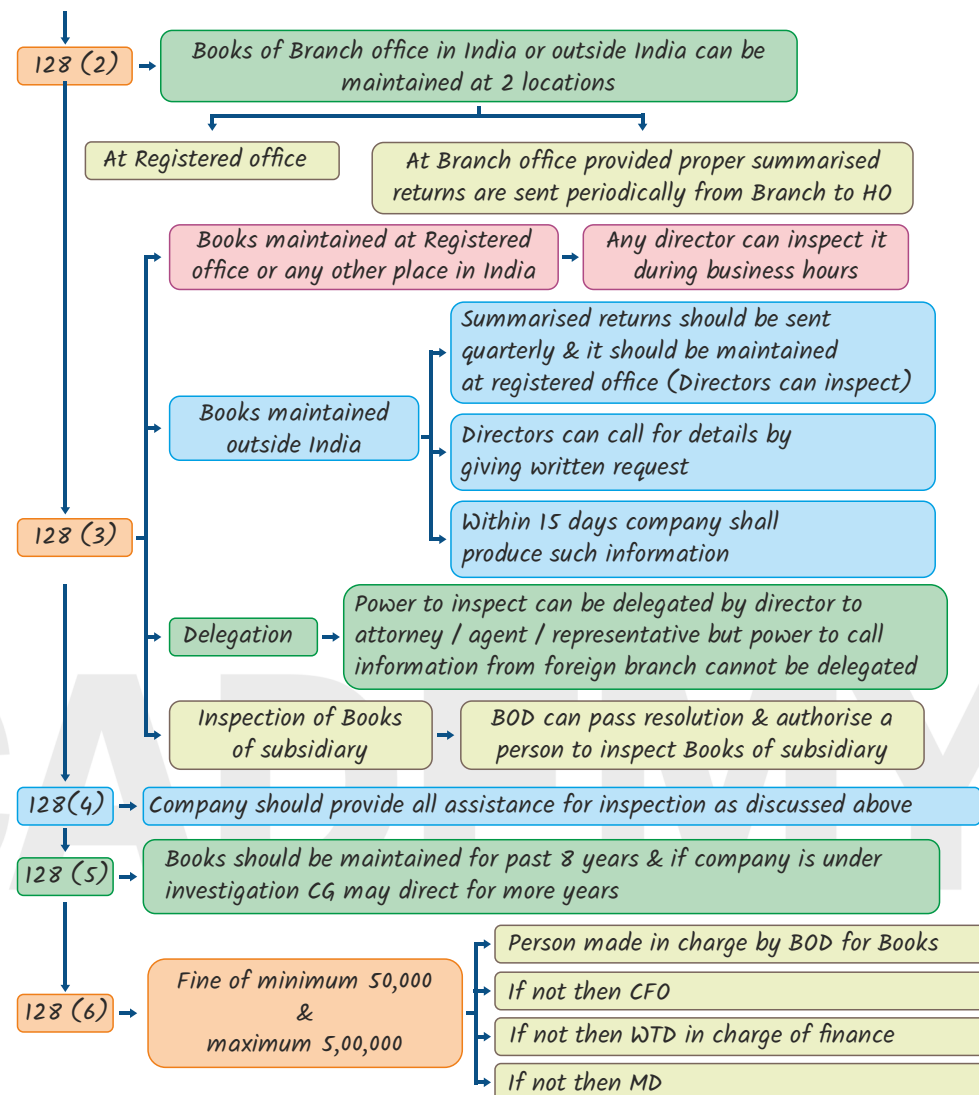


Part 3 - OTHER CONCEPTS (CO ACC & MISC)

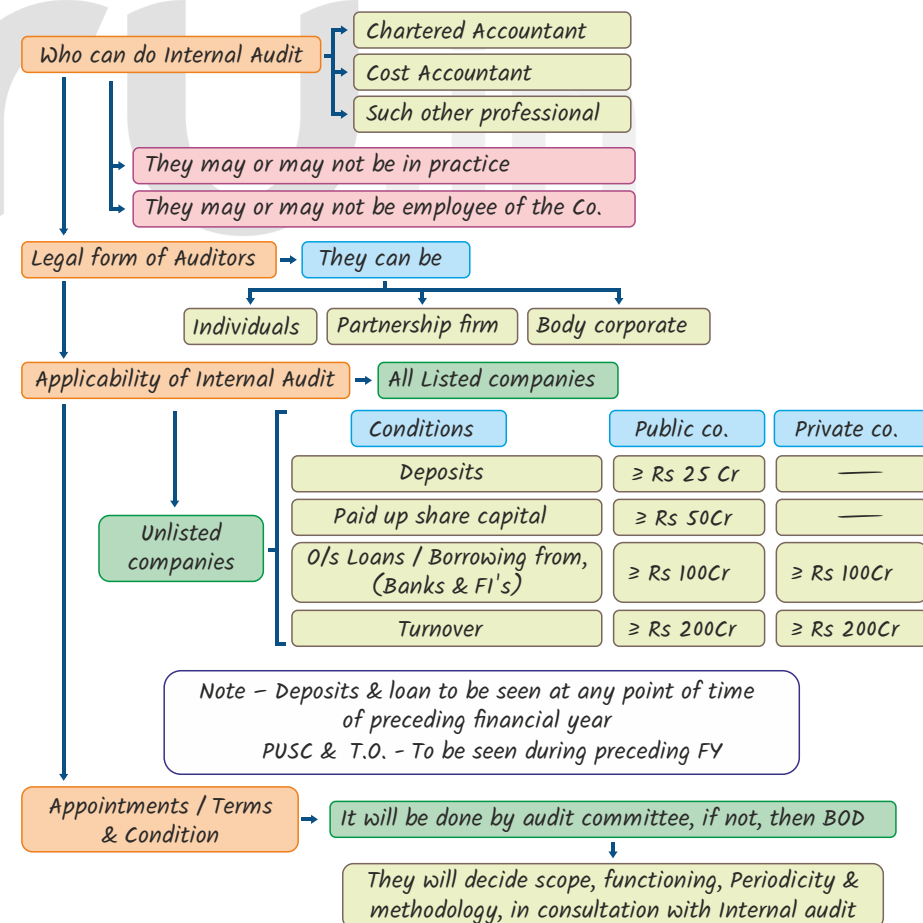
SEC - 128 & RELATED COMPANY A/C RULES



Continue on next column...

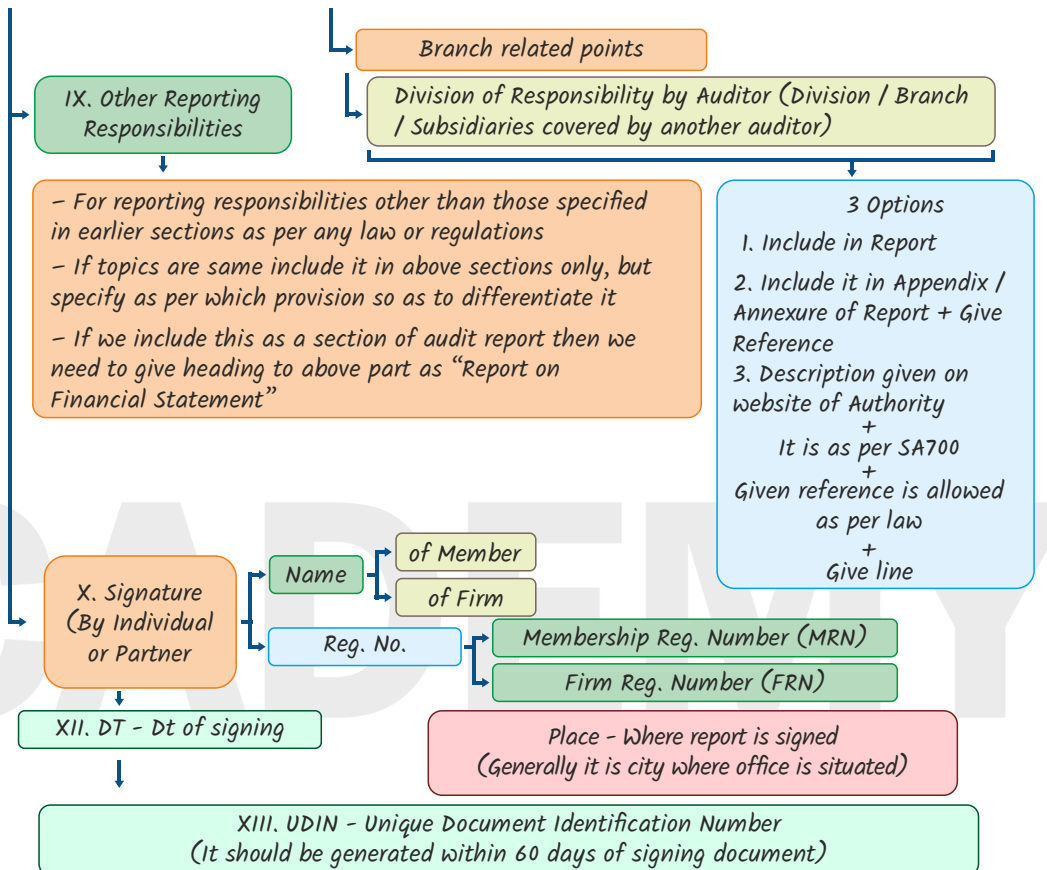
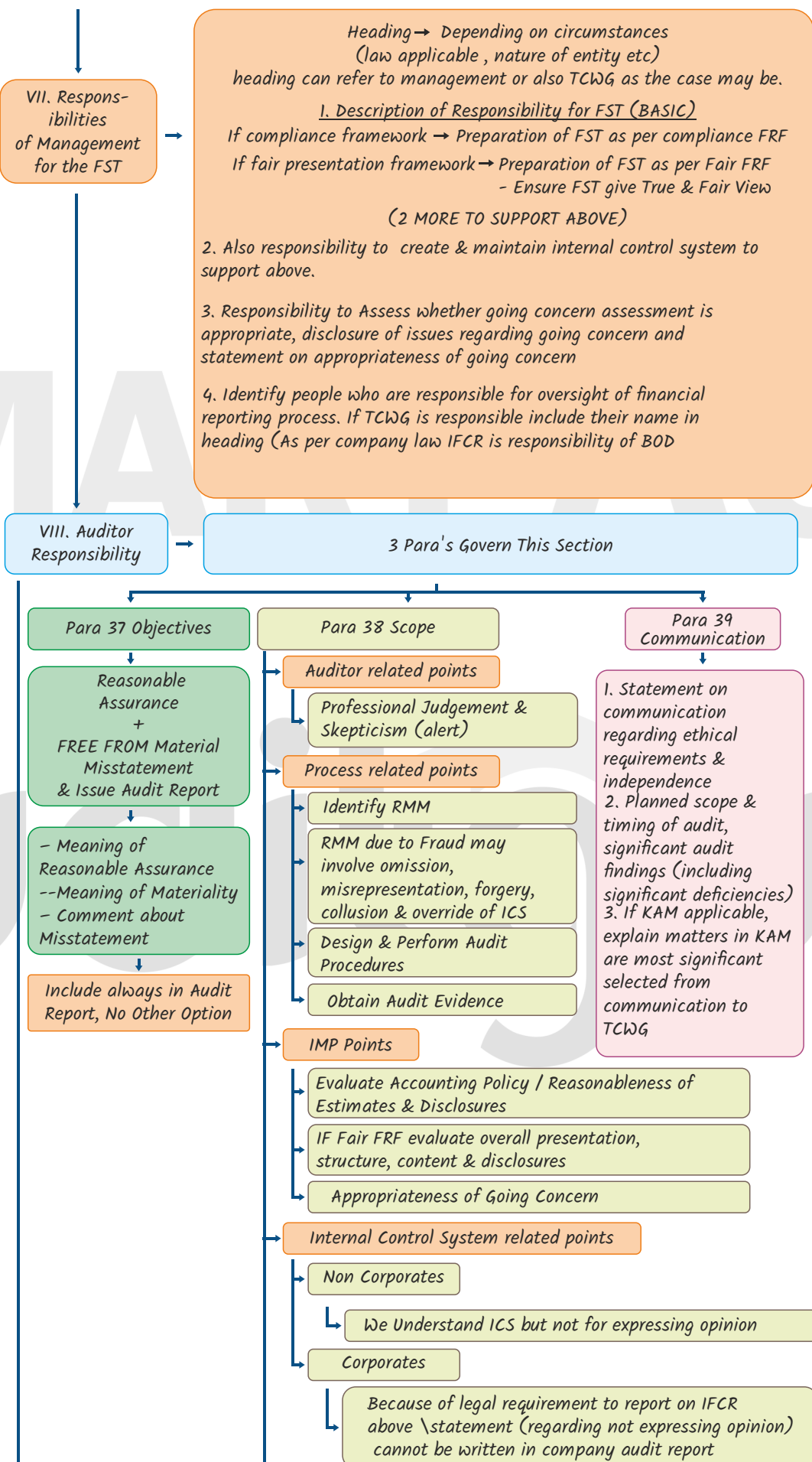
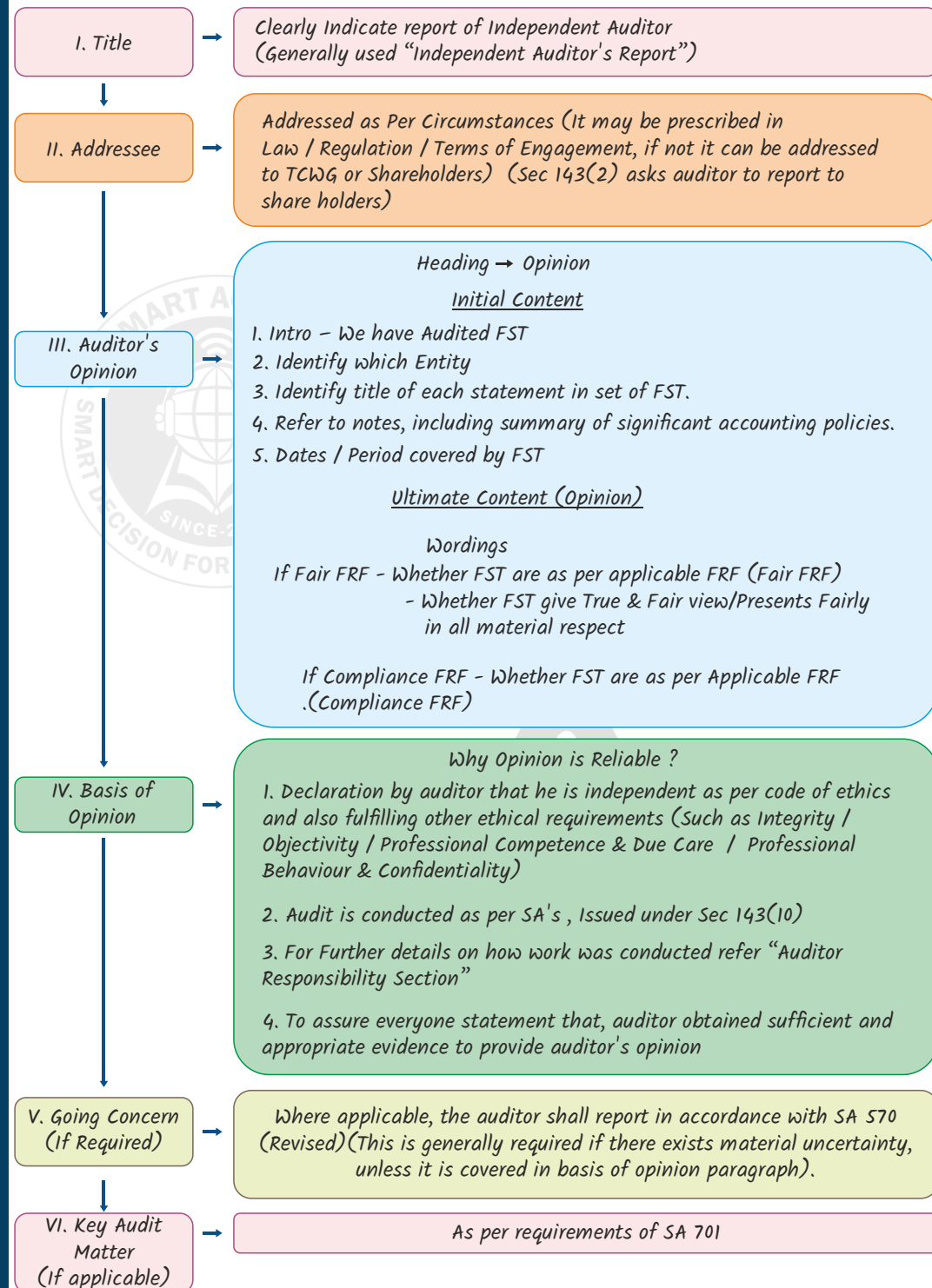


Sec 138 INTERNAL AUDIT



CNO--SA700.040

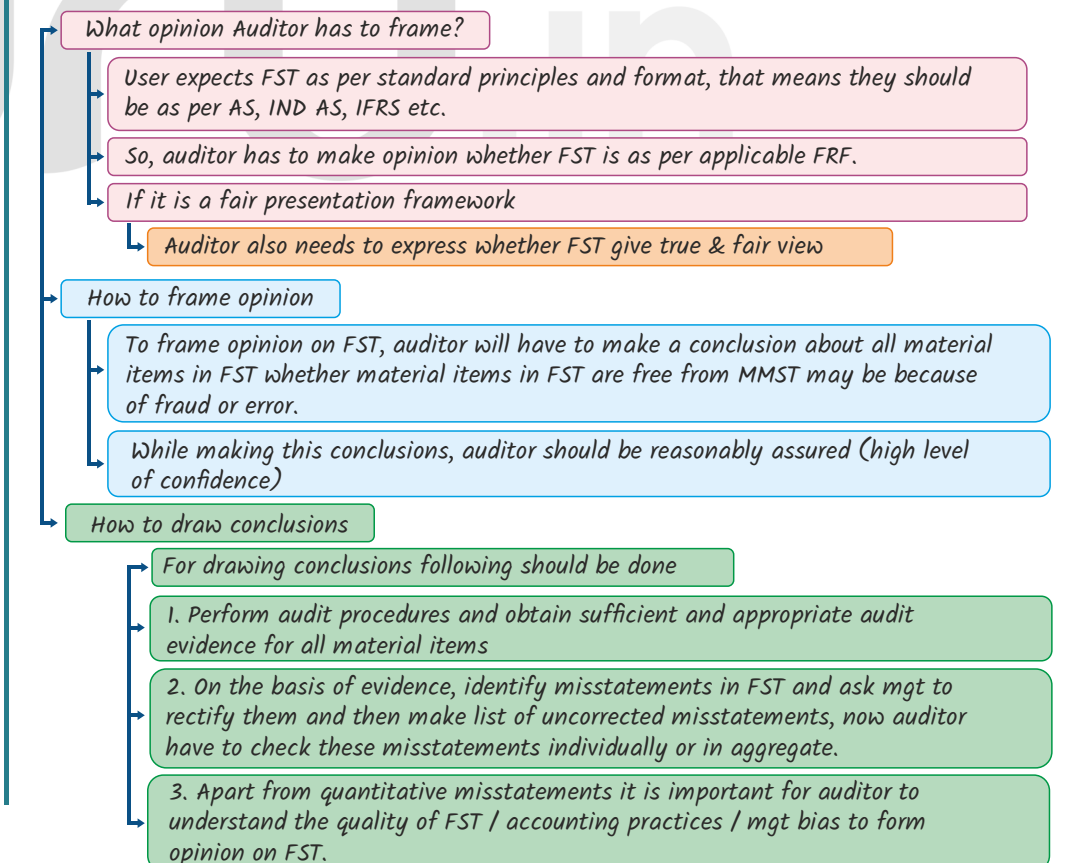
Part I - SA 700



***Note : Generally questions are not asked in CA Final but we have included this for knowledge.

CNO--SA700.105

FORMING OPINION ON FINANCIAL STATEMENTS



SPECIFIC EVALUATION BY AUDITOR'S

SA 700, makes some evaluation mandatory for auditor because they are extremely important and they don't want auditor to miss it in any manner

Shortcut – **MASTER** (Auditor has to evaluate following)

- M** – Material transactions and events are properly accounted and disclosed in the FST, so that user understand their nature and financial effects
- A** – Whether applicable FRF is followed consistently while selecting and implementing accounting policies
- S** – Whether significant accounting policies are properly disclosed in notes to accounts
- T** – Whether terminology used in FST including the title of FST is appropriate (e.g. title for profit oriented and non-profit oriented company is different)
- E** – Whether estimates made by the mgt appear reasonable (realistic)
- R** – Whether FST as a whole are relevant, reliable, comparable and understandable.

***Note : Generally questions are not asked in CA Final but we have included this for knowledge.

CNO--SA700.060

AUDIT REPORT PRESCRIBED BY LAW

If law prescribes format of audit report then as law overrides standards. Hence auditor will have to follow format given by law

He will give reference to standards on auditing in his audit report only if

Audit reports includes basic elements which we have discussed earlier (Other than conditional elements)

Which means all elements from title to date

In India, we don't refer to standards in tax audit report because it does not contain management responsibility & auditor responsibility paragraph

CNO--SA700.080

REFERENCE TO MULTIPLE STANDARDS ON AUDITING & MULTIPLE FRF IN AUDIT REPORT

MULTIPLE SA's

Situation → There can be situation where there are investor from different region

For Ex- US, Japan, India. They will demand audit as per international standards on auditing, Japanese standards, Indian Standards. It is possible that we refer to multiple standards on auditing in audit report & say that audit was conducted according to them if following conditions are satisfied

There should not be conflict between standards w.r.t.

Type/Form of opinion

Inclusion / exclusion of EMP or OMP

It should contain minimum elements of audit report from title to date.

Explain Origin

When the auditor's report refers to both the ISAs or the auditing standards of a specific jurisdiction and the standards on auditing issued by ICAI, the auditor's report shall clearly identify the same including the jurisdiction of origin of the other auditing standards

MULTIPLE FRF'S

Situation

As discussed above there can be different users demanding financial statements as per FRF like IFRS & Ind AS. We can mentioned both FRF in one audit report provided below conditions are satisfied

There should be full compliance of both the FRF's that means all income, expense, assets, liabilities, notes to accounts should comply with the standards

Final result like profits, net assets should be same as per both the FRF & no reconciliation need to be prepared

Typical case

Sometimes entity prepares financial statement as per one FRF & then they give reconciliation of profit from framework they follow to other framework in notes to accounts. In this situation we will not refer to two FRF in audit report because only FRF is followed in FST.

CNO--SA700.100

SUPPLEMENTARY INFORMATION

Additional Information

Not Required by FRF

Either Voluntary or as per Law/Regulation
E.g. MSMED / Profit Reconciliation/list of Debtors/Employee

If it is integral part of FST

YES

Examine it, cover it as normal information in notes

NO

Ask management to clearly differentiate it and put it under heading "Unaudited" + No cross referencing

YES

OK

NO

Mention in report "we don't take Responsibility". It will be treated as Other info as per SA 720

EXAMPLES

Example 1
Integral

In notes to accounts company can explain to what extent financial statements are as per another financial reporting framework & they can reconcile profit as per applicable framework with profit as per another framework by indicating which financial items should be reversed

In this situation it is not possible to segregate these things from financial statements as they have very close connection with the items presented in financial statements

Hence the auditor needs to cover it as regular notes to accounts & cover it in his audit

Example 2
Non Integral

If entity gives additional P&L in appendix to financial statements & this additional P&L has items of income & expenses which are altogether different as what are presented in current P&L. Then this is the information which can be clearly segregated & differentiated.

In such situation company should differentiate it from financial statements & put it under the heading supplementary info + unaudited

And auditor is not supposed to cover it.

CNO--SA700.110

EVALUATION OF QUALITATIVE ASPECTS INCLUDING MGT BIAS

Qualitative aspects of accounting practices / FST.

SA 260, explains what are the qualitative aspects of accounting practices and they majorly focus on 3 things

Significant accounting policies

Mgt estimates & judgements

Disclosures in FST

Management Bias

Mgt has to make many judgement while doing accounting and preparing FST. There is a possibility that they misuse this opportunity and enforce there hidden agenda of manipulating FST.

So auditor should be careful and understand whether mgt appear bias.

To understand whether mgt is biased or lack neutrality, auditor should see following: -

Whether there are selective correction by mgt w.r.t. misstatements identified by auditor which may either only increasing earnings or decreasing earnings

Mgt is not rectifying deficiency in the system which are focusing on particular transaction, balances or disclosures leading to inappropriate reporting

whether there is possible Mgt bias while determine accounting estimates. Now, how to understand whether Mgt is bias in estimate is explained in SA 540 which gives examples and circumstances of Mgt is bias in making accounting estimates.

Effect of low quality accounting practices and mgt bias

if we identify that quality of accounting practices is low or mgt is biased, this in itself is not a material misstatement which should be reported

But while evaluating misstatements then we should consider effect to low quality accounting practice and mgt bias while drawing opinion and because of this we may draw opinion which is unfavorable, so they effect opinion making process.

***Note : Generally questions are not asked in CA Final but we have included this for knowledge.



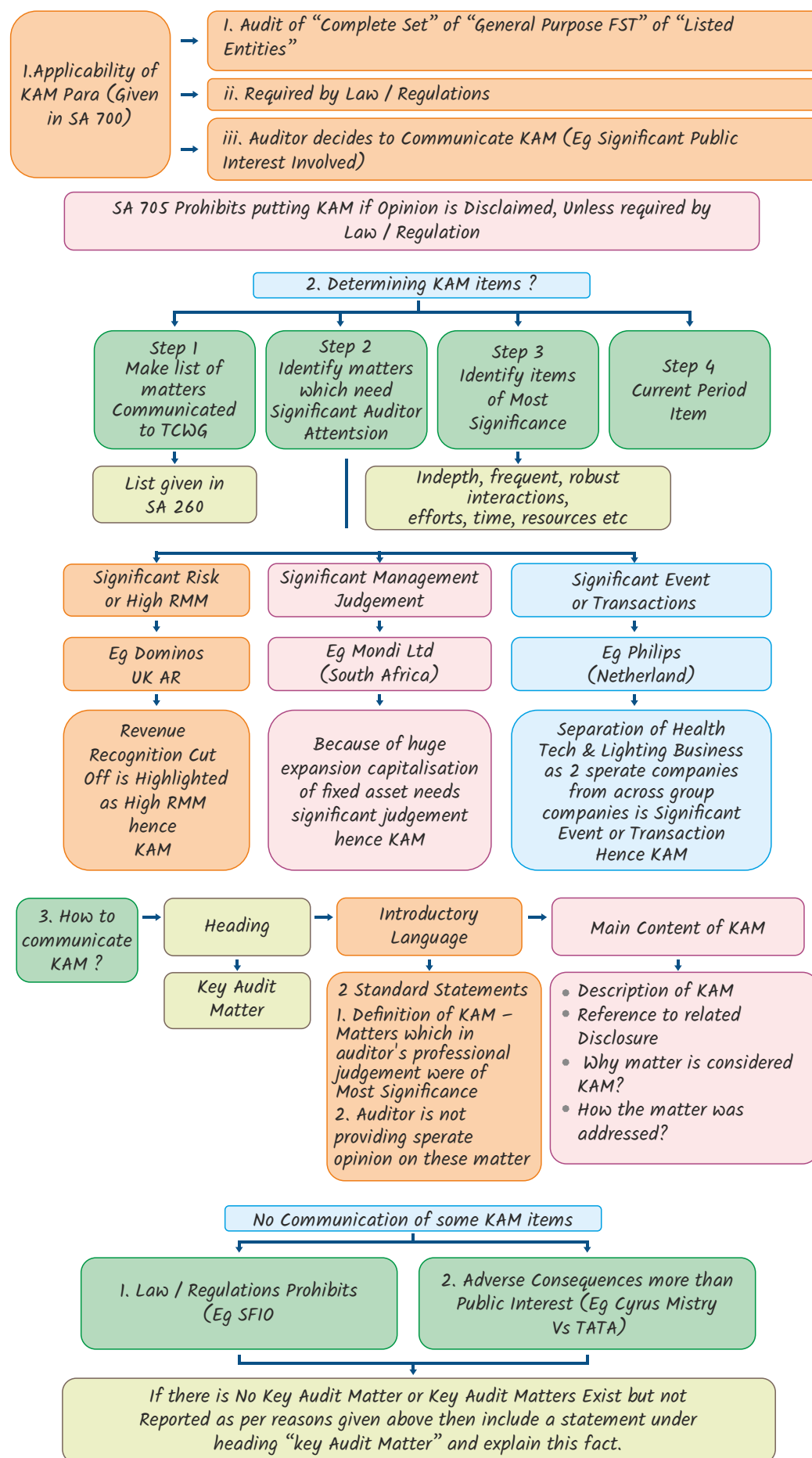
AUDIT REPORT V/S AUDIT CERTIFICATE

	Audit Report	Audit Certificate
Coverage	Generally whole FST	Limited Info
Procedures & Evidence	Similar methods	Similar methods
Use of Judgement	Yes	No
Final Result	Opinion with reasonable Assurance	Vouch Accuracy
Facts	Opinion is based on facts	Here we comment on accuracy of facts itself
Examples	Examples : the report under section 143 of the Companies Act, 2013 is an opinion based report and not a certificate	Examples: As per Section 66 of the Companies Act, 2013, an auditor is required to file a certificate in the tribunal where company is proposing for the reduction of capital

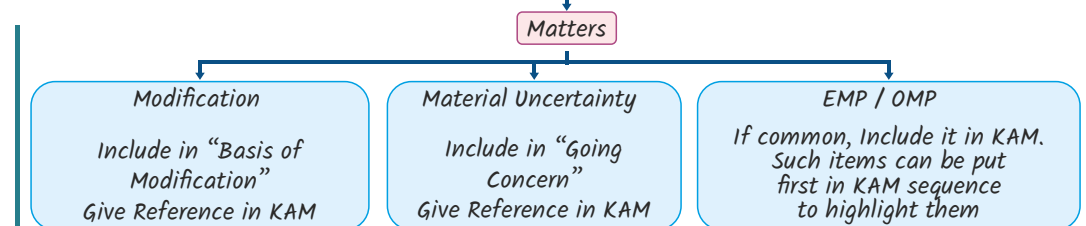
REPORTING TO SHAREHOLDER V/S REPORTING TO TCWG

	Reporting to shareholders	Reporting to Those Charged with Governance
Requirement	Section 143 of the companies Act, 2013 deals with the provisions relating to reporting to shareholder. Thus, it is a Statutory Audit Report which is addressed to the members.	SA 260 deals with the provisions relating to reporting to those charged with Governance.
Content	Statutory Audit Report is on true and fair view and as per prescribed Format.	it is a reporting on matters those charged with governance like scope of audit, audit procedures, audit modifications, etc.
Availability	Statutory Audit Reports are in public domain.	Reporting to those charged with Governance is an internal document i.e. private report.

Part 2 - SA 701

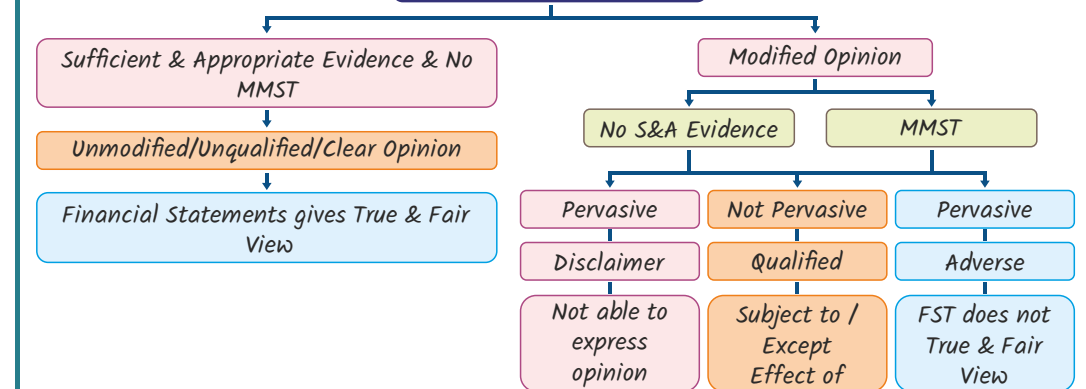


4. Relationship with Other paras

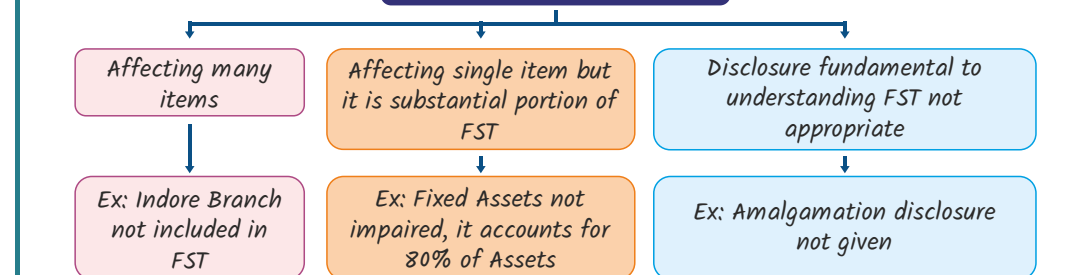


Part 3 - SA 705

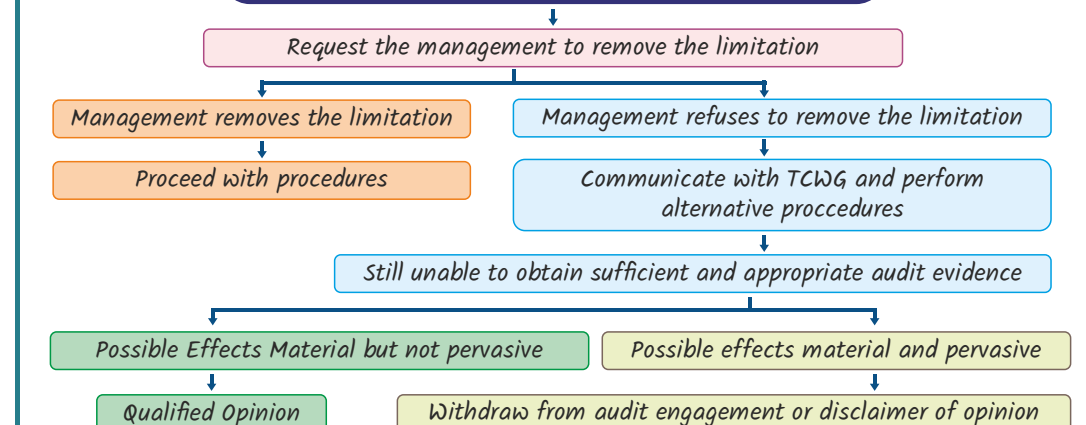
TYPES OF OPINION



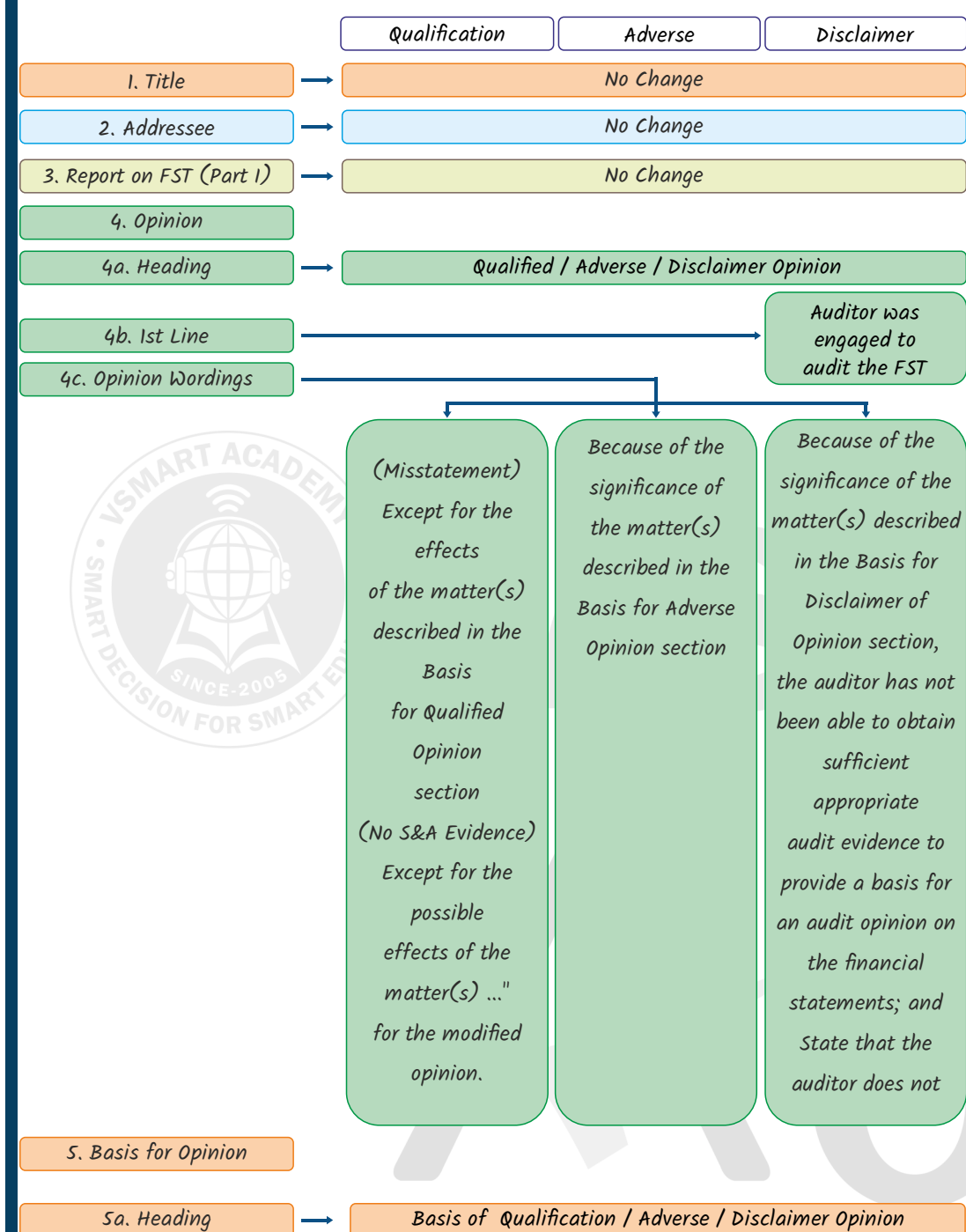
PERVASIVE MATTER



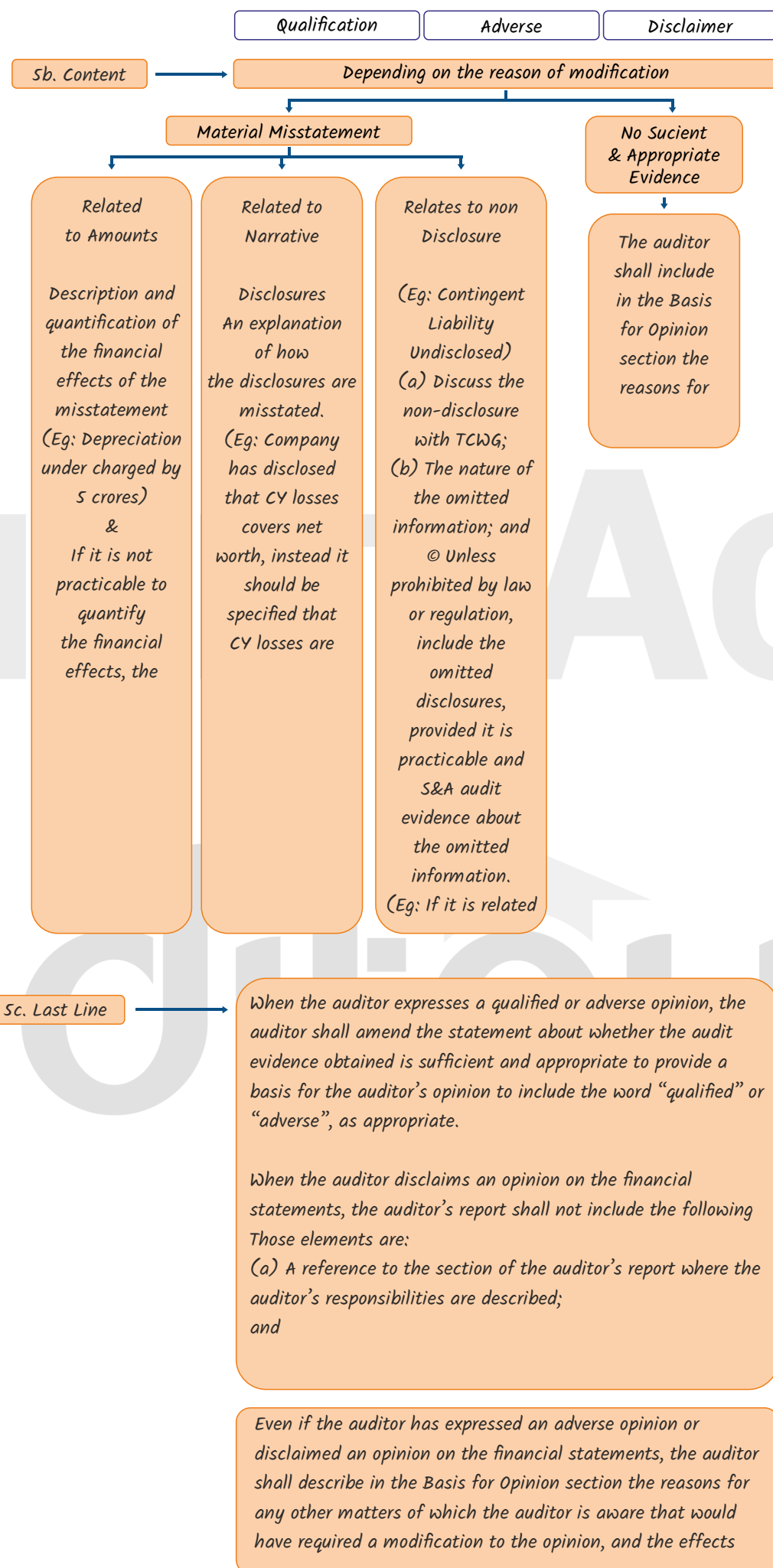
INABILITY TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE DUE TO A MANAGEMENT- IMPOSED LIMITATION AFTER THE AUDITOR HAS ACCEPTED THE ENGAGEMENT



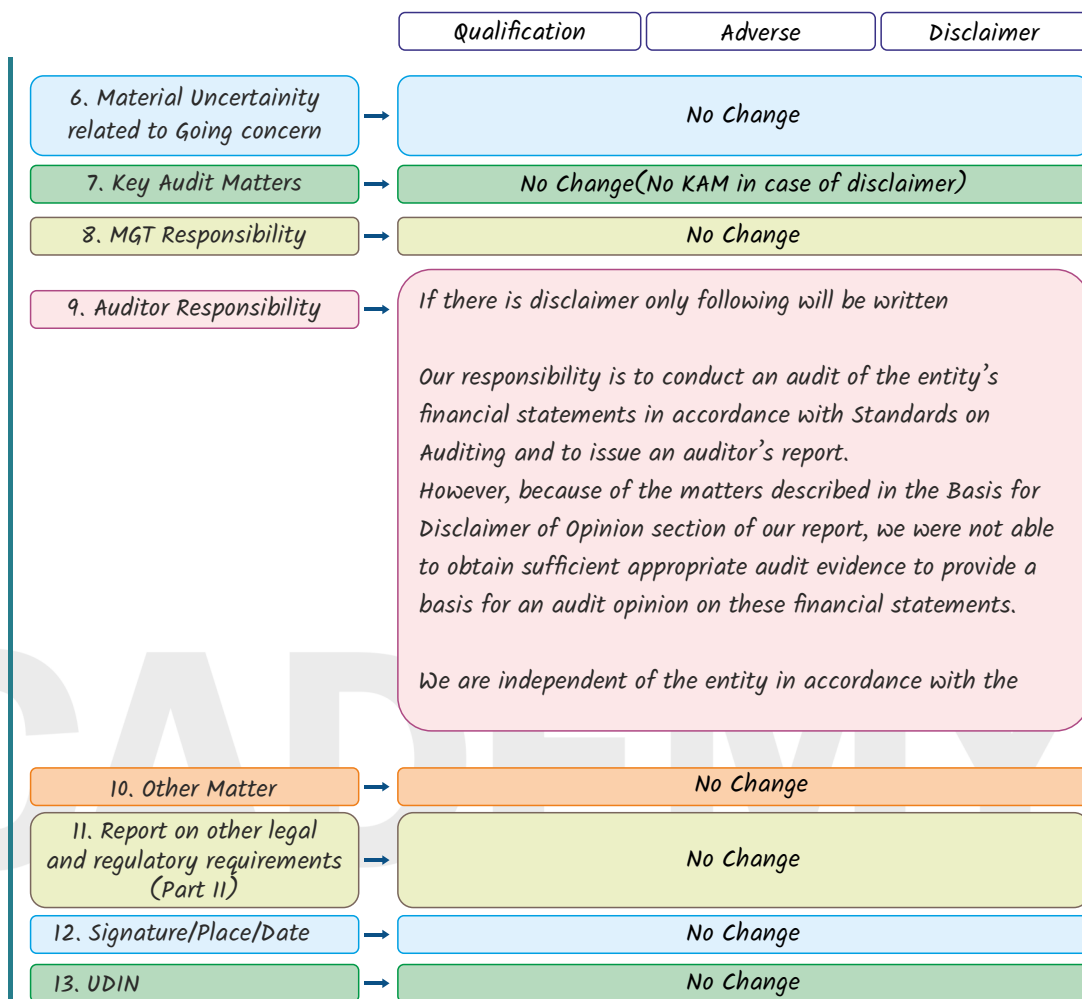
EFFECT OF MODIFICATIONS ON AUDIT REPORT



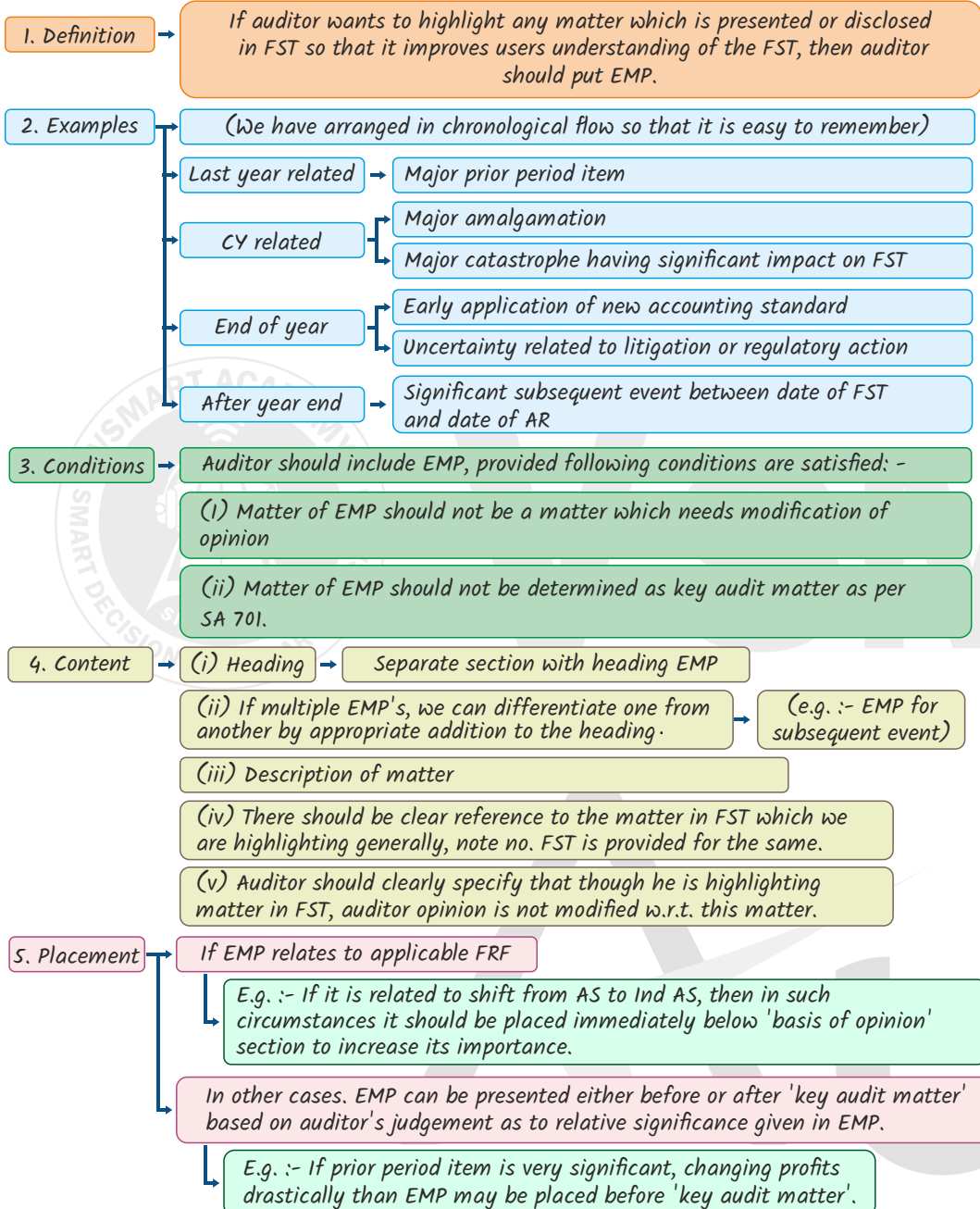
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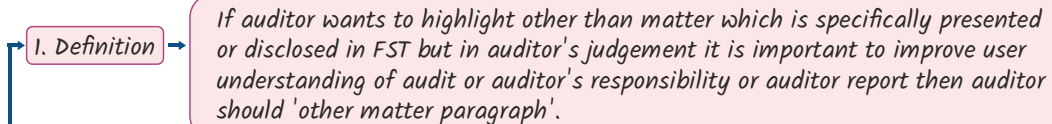
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EMPHASIS OF MATTER PARAGRAPH

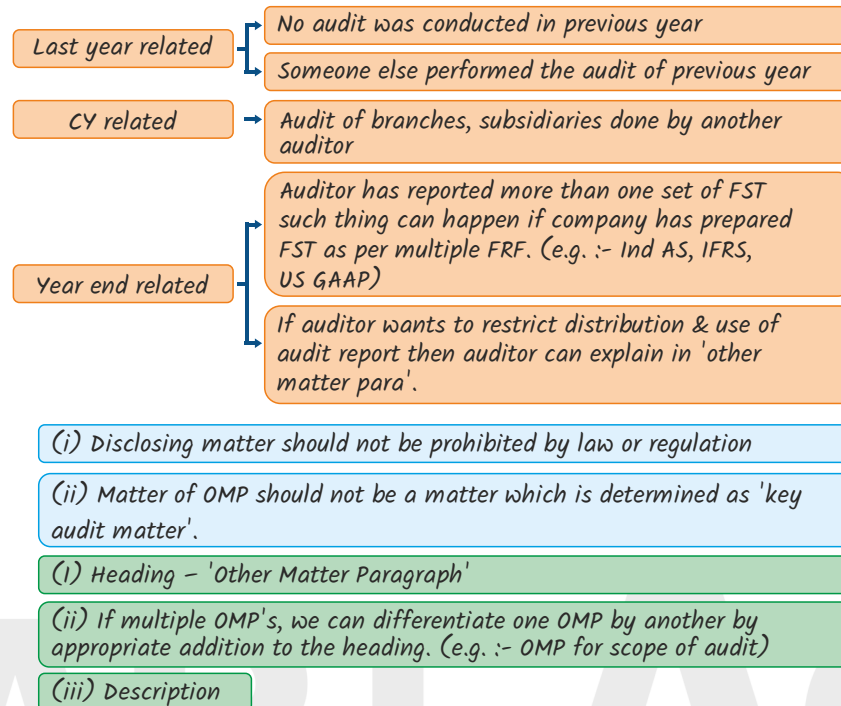


OTHER MATTER PARAGRAPH



Continue on next column...

(We have arranged in chronological order so that it is easy to remember)



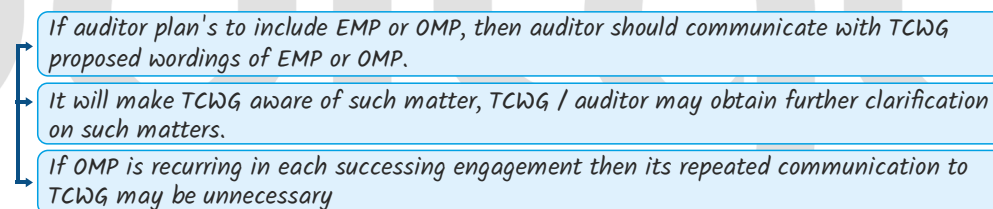
It is not clearly mentioned, but after analysis we can conclude that OMP should be placed always below KAM, it may not be immediately after KAM but any suitable position below it.

To distinguish KAM and information given in OMP we can add more words to the heading so that user can differentiate between KAM & OMP like other matter – Scope of audit.

If matter in OMP is related to 'other reporting responsibility' then we can place it in section 'Report on other legal and regulatory requirement'

If matter is such that it is important for all auditor's responsibility and understanding of his audit report then it may be included after 'Report on FST' and 'Report on other legal and regulatory requirement'.

COMMUNICATION WITH TCWG



DIFFERENCE BETWEEN 'KEY AUDIT MATTER' AND 'EMPHASIS OF MATTER' PARAGRAPH

If any matter is identified as Key audit matter then such matter will be included in 'KAM' only it will not be covered in 'EMP'.

We can distinguish between KAM & EMP related to definition, purpose and placement.

COMPARATIVES AND WAYS OF PRESENTING COMPARATIVES

Amount and disclosures of one or more prior periods as per AFRF are called as comparative information

Ways of presenting comparatives

Particular	Comparative financial statements	Corresponding figures
Extent of Information	If detailed information is given for 1 or more prior periods. Importance given to prior period is same as current period.	If detailed information is not given for prior periods. Not given importance similar to current year
Is it a separate FST?	Prior period information treated as separate FST.	Information of prior year is just a comparison not treated as separate FST, infact it is considered as integral part of current year FST.
Audit Report	In intro and opinion para, we refer both current year and prior year e.g.:- Prospectus	In Intro and opinion para, we refer only current year. e.g.:- Company audit report

Note 1 :- Corresponding figure approach is popular across the world, generally FRF specify that where ever current year amounts are given we should provide previous year amounts also which shows that importance is given to current year and previous year amounts is just for comparison nothing more. Same thing is given in Schedule III

Note 2 :- This standard gives reporting approach. It doesn't say that we are suppose to do audit of 2 years in comparative financial statement approach. That means if we have done audit of 2 years, then only we will able to refer current year and previous year in opinion and intro para. If we have not done audit of previous year, we will have to put OMP explaining either previous year audit was not done or it was done by predecessor auditor, also provide the type of opinion with reason if it is modified and date of audit report.



AUDIT PROCEDURES FOR COMPARATIVES / COMPARATIVES FINANCIAL STATEMENTS / CORRESPONDING FIGURES

Basic Evaluation of Comparative Information

- Auditor should understand requirements of AFRF w.r.t. to comparative information and check whether this information is appropriately presented in FST
- Agree comparative information with amount and disclosures presented in prior period FST.
- Ensure that accounting policies reflected in comparative information are consistently followed and if there is a change it is properly accounted, disclosed and presented in current period

Additional procedures in case of possible material misstatements

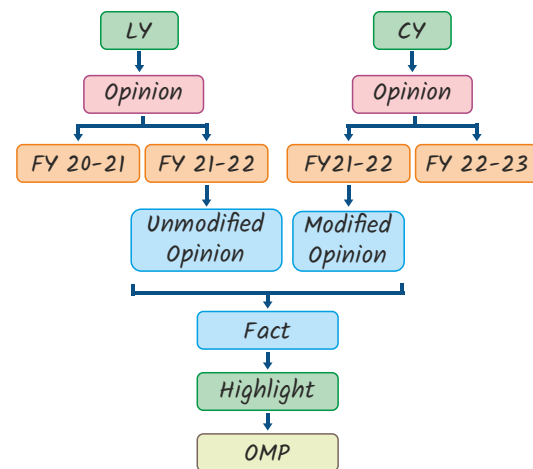
- If auditor become aware of possible material misstatement in comparative information while doing audit then auditor can perform additional audit procedures as suitable to draw conclusion whether material misstatement exists
- If material misstatement exist then either previous year FST should be revised and such revision should be done as per requirements of SA 560 which deals with subsequent events. It will be auditor's responsibility if he was auditor of previous year. Generally this is possible before AGM easily In other cases rectification are done in current period as prior period items.

Written Representations

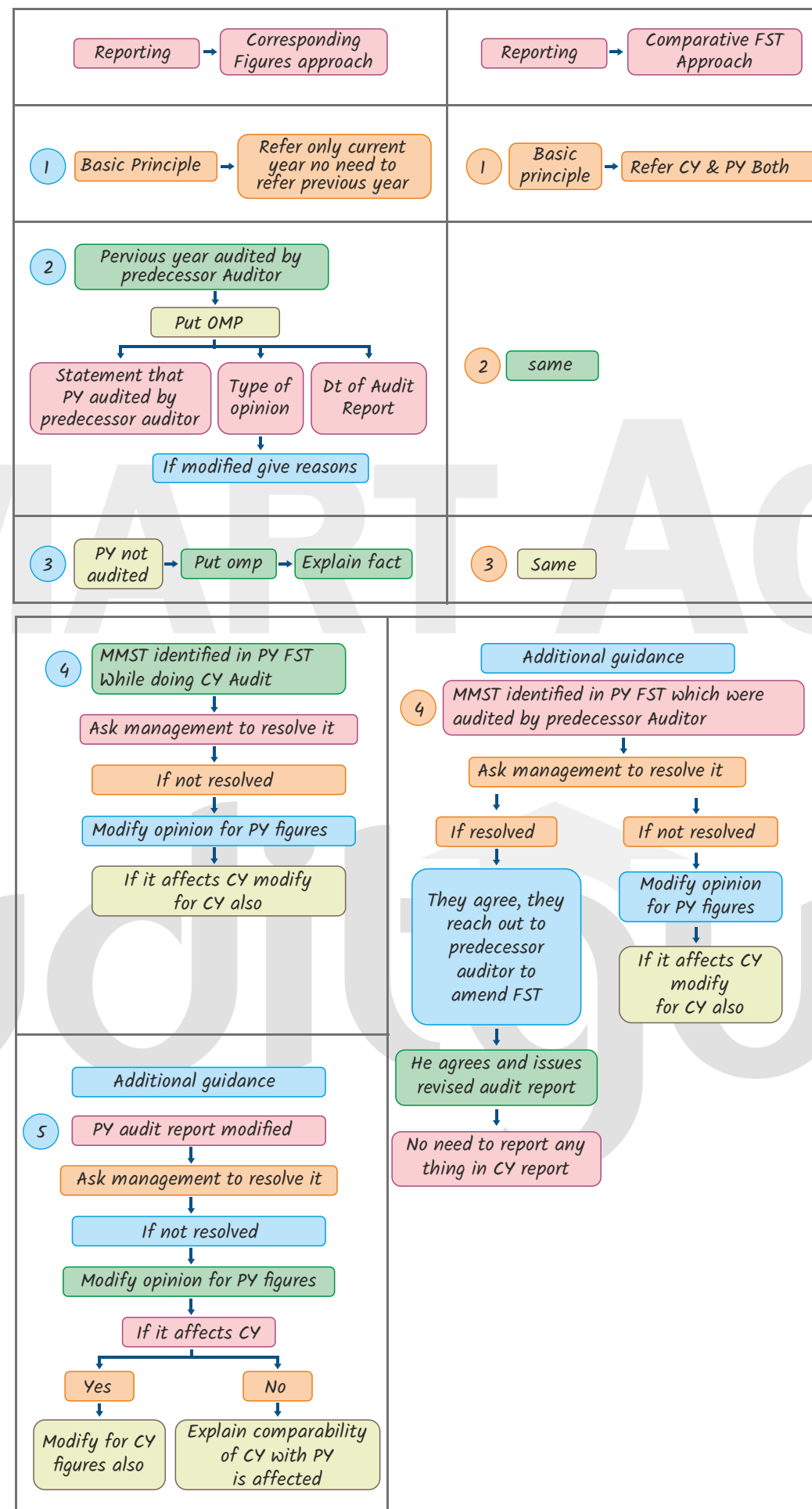
- The Auditor shall request WR for all the periods which are refer in opinion para.
- CFS** → In case of comparative financial statements we will request WR for current period as well as prior periods which are referred in audit report. Even if we have taken WR in previous year we will take it again to ensure that information is appropriate as on current year (today)
- Corresponding figures** → WR will be requested only for current period
- Specific WR may be obtained if there is any prior period financial items if disclosed in current year's P&L.

CHANGE IN OPINION

In case of comparative financial statement approach, if auditor has given one opinion on previous year in last year's audit report and then auditor has changed opinion of previous year in current year audit report because of additional information which he got during current period audit then to explain such fact auditor has to put other matter para.

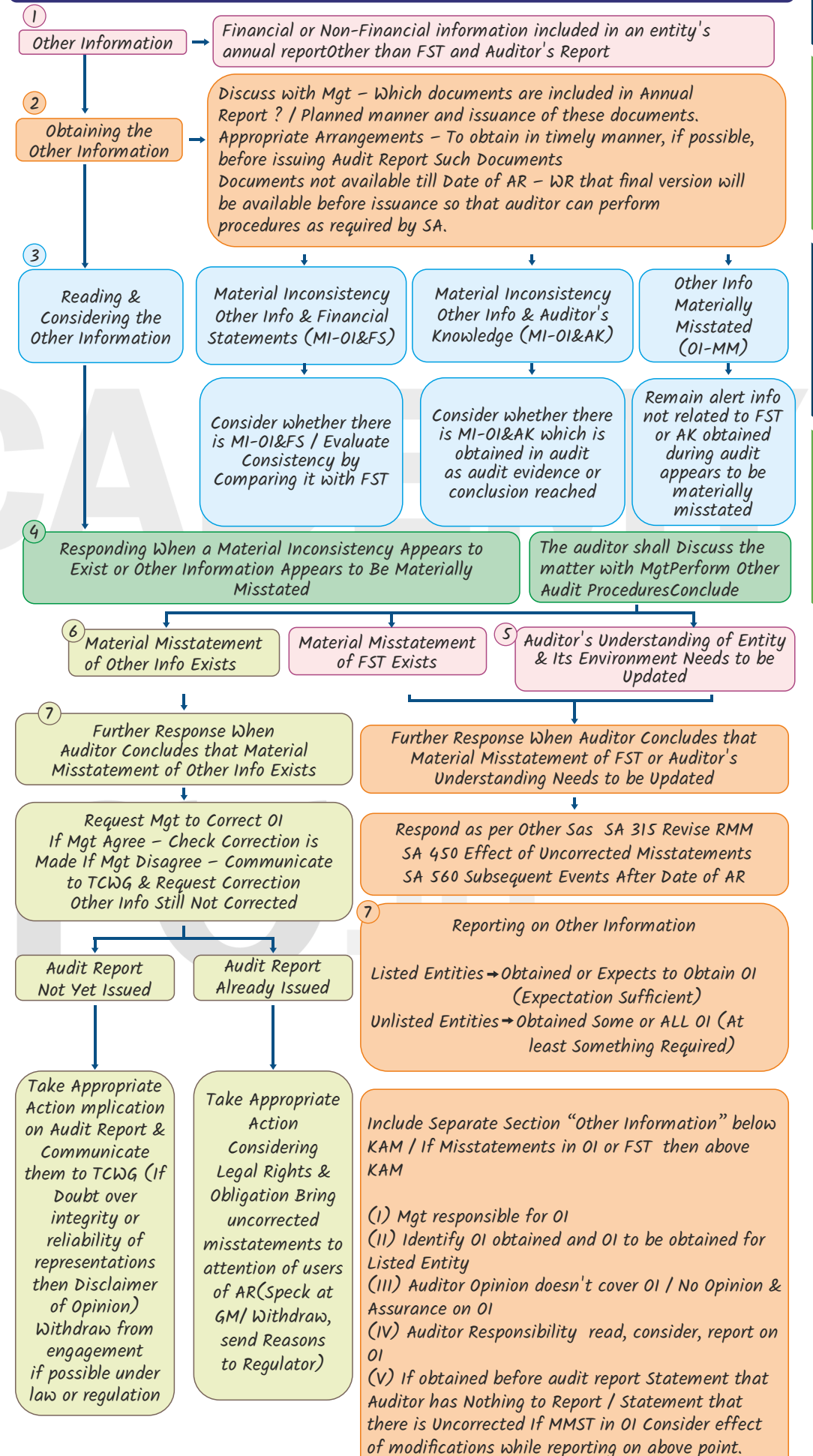


AUDIT REPORTING



Part 6 - SA 720

THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION



CHAPTER 07

AUDIT COMMITTEE & CORPORATE GOVERNANCE

CNO--ACCG.020

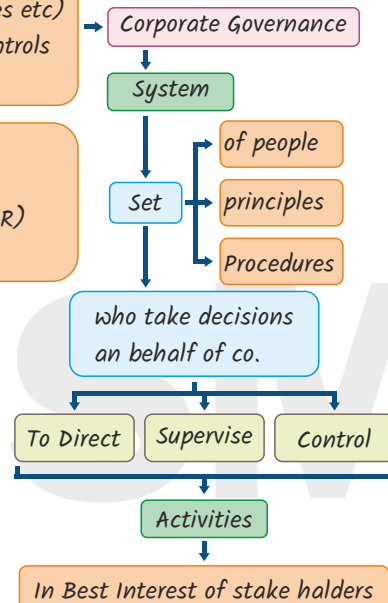
CONCEPT OF CORPORATE GOVERNANCE & APPLICABILITY OF LODR

Concept of Corporate Governance

Corporate Governance is a system (Set of principles procedures etc.) by which management of the entity Directs, Supervises & Controls activities in the best interest of stake holders

Good corporate Governance ensures Fairness Accountability & Transparency by office bearers in management. In India Co. Act 2013 listing obligation disclosure requirements 2015 (LODR) Specify good corporate governance practices

In simple terms it means how company is managed



CNO--ACCG.030

APPLICABILITY OF LODR

Applicable to all the entities whose designated securities are listed in the recognized stock exchange (RSE)

Designated Securities(list)

Shortcut:- SINUS Securities

#Amendment

S - Specified securities listed on any platform of RSE i.e., the main board or SME exchange or innovator growth platform

Specified securities means equity shares & convertible securities

I - Indian depository Receipts

N - Non-Convertible securities

U - Unit of mutual funds

S - Security Debt instruments (Ownership of good loans)

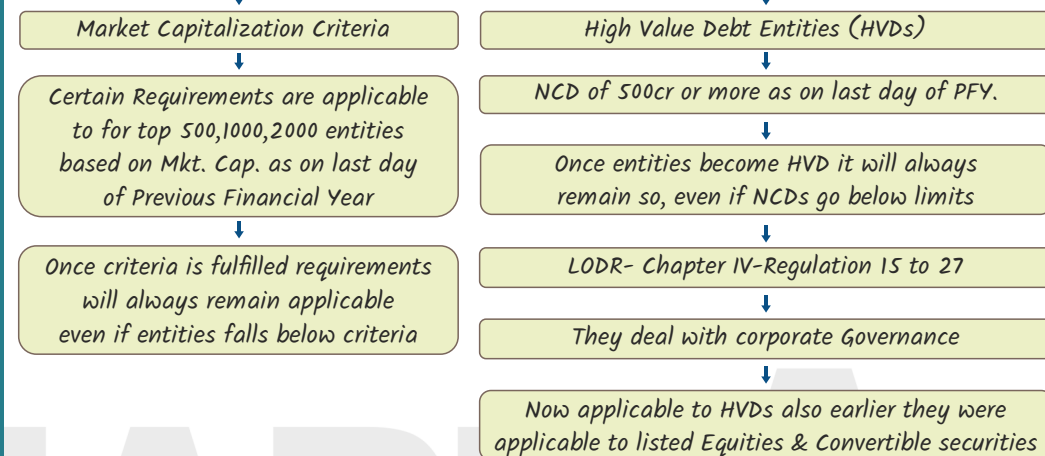
S - Security Receipts (Ownership of bad loans)

Any other security as specified by SEBI

Continue on next column...

Further Clarification

#Amendment



CNO--ACCG.040

ISSUES ADDRESSED IN LODR REGARDING CORPORATE GOVERNANCE

Shortcut :- C²R²A²B²S⁴ on MIC get DS²LR -V



C - Compliance certificate by CEO & CFO

C - Compliance certificate regarding compliance of LODR requirements

R - Report on corporate governance

R - Risk management committee

R - Related party transactions disclosures

A - Audit committee

A - Accounting Treatment

B - Board composition

S - Stakeholders committee

S - Securities transfer

S - Statement of Deviation & Variation

S - Subsidiary Related Requirement

O - Obligation of director & Senior management

M - Management discussion & Analysis

I - Information to shareholders

C - Code of conduct

D - Disclosure principles

S - Secretarial audit

S - Sexual harassment

L - Limited review of audit

R - Nomination & Remuneration committee

V - Vigil mechanism

Note : Content of Chapter is arranged as per above shortcut.

CNO--ACCG.060

QNO - 421.500

MCQ - Incs.12.6

COMPLIANCE CERTIFICATE

It should be certified by CEO & CFO to the Board (SEBI)

Contents

Related to Internal Controls for financial reporting

Responsibility for establishing & maintaining

Evaluated the effectiveness

Deficiencies

Disclosed to Auditors & Audit Committee

Steps taken or proposed to be taken to rectify these deficiencies

Related to Transactions

No transactions entered are

Illegal, Fraudulent, Violative of entity's code of conduct

Related to Financial Statements

Reviewed FST & CashFlow Statement

It doesn't

(1) Omit any Material fact

(2) Contain any Untrue statement

(3) Contain any Misleading statement

It Does

(1) Comply with applicable Law & Regulation

(2) Comply with Accounting Standards

(3) Presents True & Fair view

Indication (communication To auditors & audit committee)

Significant Changes

In Internal Control over financial reporting

In Accounting policies & whether same is disclosed in FST

Significant fraud instances

Involvement if any, of management or employee having significant role in Internal Control over financial reporting

AUDITORS RESPONSIBILITY

Simply to check compliance of all above points one by one.

Note :-In exam if there is a question specifically on Auditor's responsibility then explain all above points one by one from the point of view of Auditor's Checking



CA Ravi Taori



Doubts



Telegram

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

Who can give this Certificate

Company is required to obtain compliance certificate either from the Auditors or practicing Company Secretary & it shall be annexed to Director's report

Examples of situation where Certificate can be Qualified, Adverse Statement can be given or Disclosures can be given without making it subject matter of Qualification (In the sequence of importance)

(1) Shareholder Related

Power to transfer shares not delegated to transfer agent, committee or officer

(2) Director Related

Non-Executive Director less than 50%

Director is member of more than 10 committees, chairman of more than 5 committees

Time gap between 2 Board Meetings s more than 120 days

(3) Audit Committee Related

Committee not constituted

Chairman is not Independent

Not met 4 times a year

Powers not given as mentioned in LODR

(4) Financial Reporting Related

Quarterly Results not submitted to Stock Exchange & not hosted on the website of the company

REPORT ON CORPORATE GOVERNANCE

#Amendment

Authorization

Shall be signed either by compliance officer or CEO

Submission

Shall submit Quarterly compliance report to Stock exchange within 21 days from end of each quarter

Inclusion in Annual Report

There should be a separate section on corporate governance in Annual Report with detailed compliance report on corporate governance

Auditor should check

No inconsistency of data Between report on Corporate Governance & Financial Statements

If there is inconsistency apply SA720

RISK MANAGEMENT COMMITTEE

#Amendment

Roles & responsibility

BOD shall define

May delegate monitoring & reviewing of risk management plan

Specifically covers cyber security

Mandatorily include function given in part D of sch II

Part D if sch II specifies roles of various committees

Powers

Seek information from employee

Obtain outside legal or other professional advice

Secure attendance of outside experts

Rest of the points, Covered in Table of committees given at the end of the Chapter.

Continue on next column...

#Amendment

ROLE RMC

Detailed Risk Mgt policy

Which include

-Framework for Identification

-Appropriate methodology, process & system

-Monitor & oversee Implementation

- Periodical review at least once in 2 years

- Keep Board informed

- Appointment, term, remuneration of chief Risk officer (If any) subject to review by RMC

RELATED PARTY DISCLOSURES

#Amendment

Policy

Company has to disclose policy, how they deal with Related party transactions on its website & link to this document shall be provided in Annual Report

-Identification
-Arms length terms
-Approvals
-Records
-Disclosures

-Clear threshold limit
-Approved by BOD
-Review once in 3 years

***Material Transaction → Exceed 10% of consolidated TO of last audited FST or 1000 crore which ever is lower
Transaction → If related to brand usage or royalty then limited is 5%

Material Transaction (Quarterly)

-Means, Exceed 10% of consolidated T/O of last audited FST
-If related to brand usage or royalty then limit is 5%

***All Material Transaction with Related Party, shall be disclosed on quarterly basis along with Report on Corporate Governance to stock exchange

Disclosure of Related party Transactions on consolidated* basis as per Accounting Standards should be sent to Stock Exchange & it should also be published on Company's website

In case of HVD related party disclosures should be submitted on standalone basis for half year

Consolidated & stand alone basis (Half Yearly)

Within 15 days from the date of publishing (Every 6 months)
#From 1/4/23
On date of publication

Transactions with Promoter Group (Annual Report)

Company has to disclose transactions with any person / entity belonging to promoter/promoter group

Only when there holding is 10% or more

#Amendment

SCHEDULE V

Annual Report

Additional Disclosures

1. For Holding co

Loans

Advances in nature of Loan (Given)

Investment by Loanee in shares of parent / Subsidiary

2. For subsidiary co.

Subsidiary

Associate

Co's / Firm where directors are interested

Same as for holding Co

Nature

Amount (Year End & maximum O/S)

*** Listed non convertible securities → Disclosure as per AS would be sufficient

*** Not Applicable to listed Banks

SEC 177 - AUDIT COMMITTEE (AC)

Note: For provisions related to applicability, constitution of Audit Committee refer table of committee at the end of Chapter

Sub-section 4 Functions of Audit Committee

Every Audit committee shall act in accordance with Terms of Reference, specified in writing by Board which includes following

Auditor Related Points

Recommendation for Appointment, * Remuneration & terms of appointment of Auditors

Review & Monitor Auditors Independence & performance

Examination of FST & Auditor's Report

*NOTE: In case of Govt. Company, it is limited to recommendation of remuneration

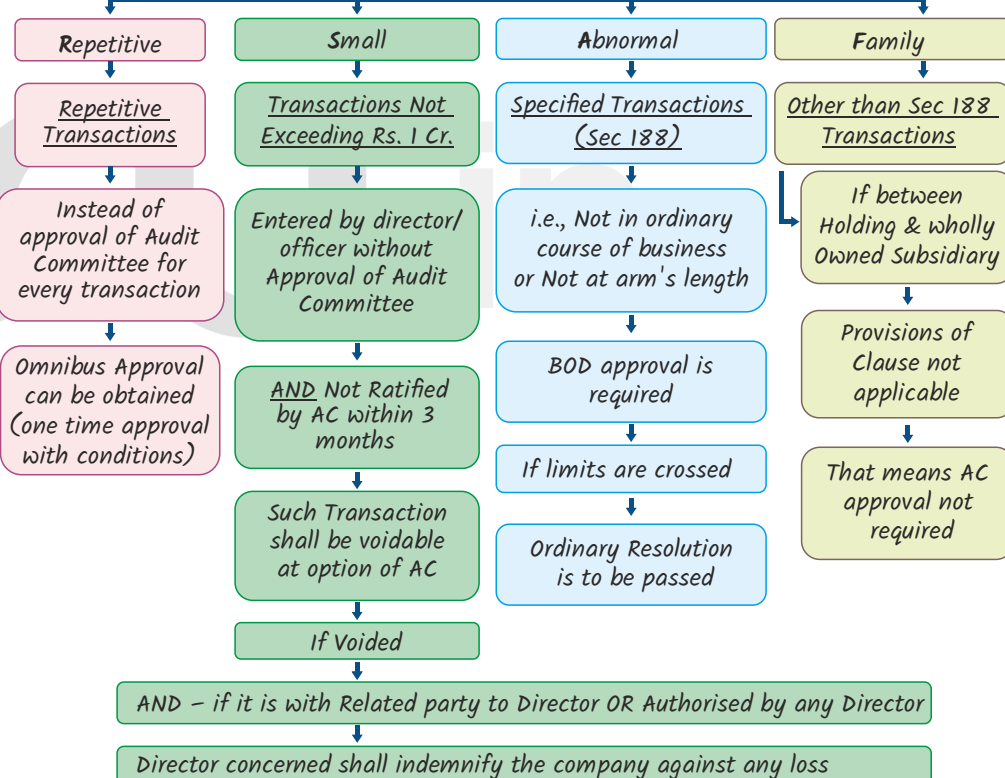
Related Party Transactions Points

All related party transactions need approval of Audit Committee (including modification)

If approved by AC, no further Approval, if rejected send recommendation to BOD

BOD will decide. If BOD goes against AC, write reasons & disclose in annual report

However in following special circumstances the procedure to be followed will be as follows



Financial matter related points

Shortcut - LIFA

L - Scrutiny of Inter Corporate Loans & Investments

I - Evaluation of Internal financial controls & Risk management system

F - Monitoring End use of Funds raised through public offer

A - Valuation of undertakings / Assets of company

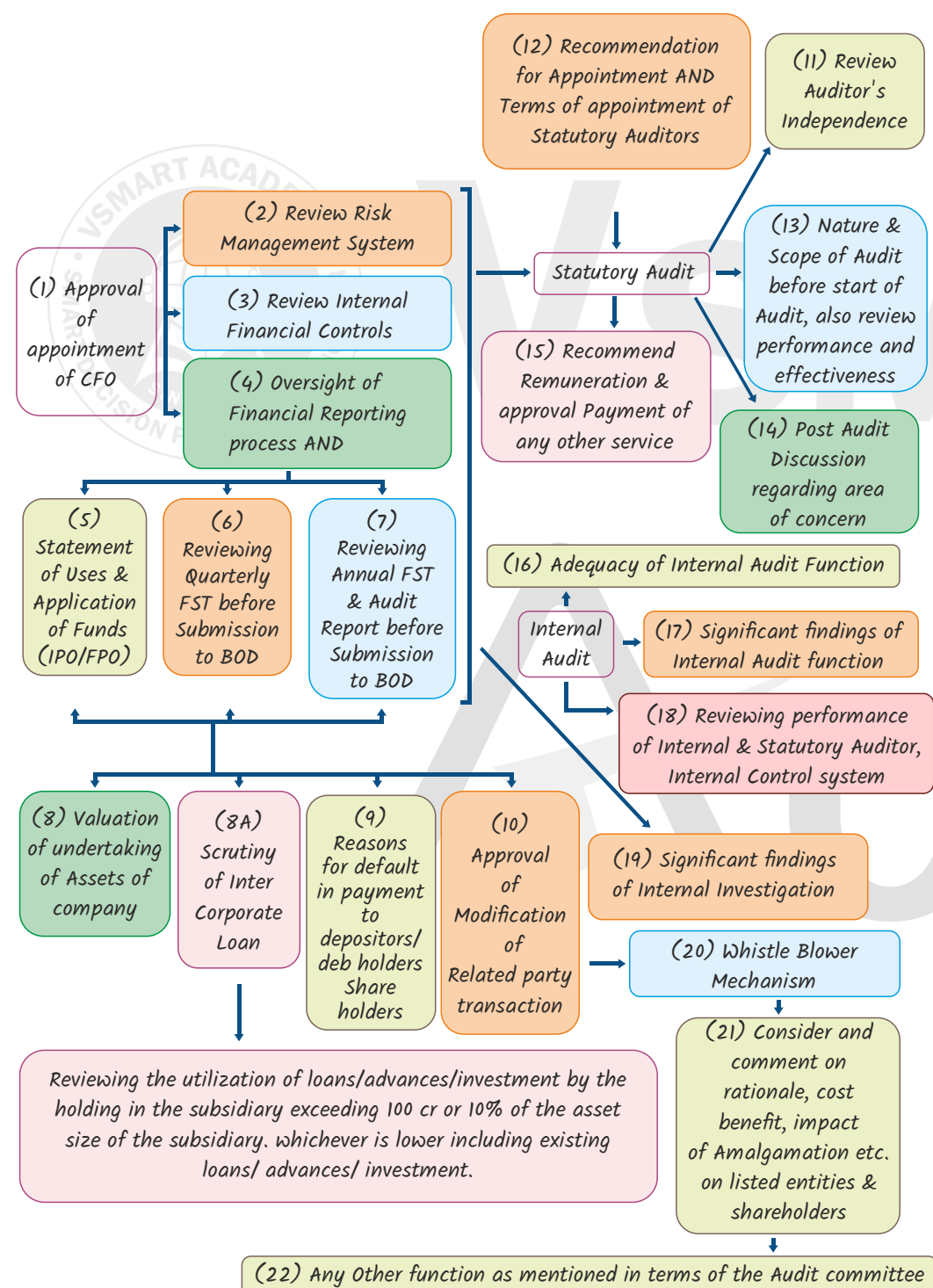
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Power of Audit Committee

- Seek Information
- Investigate
- Obtain legal Advice
- Secure Attendance of outside experts

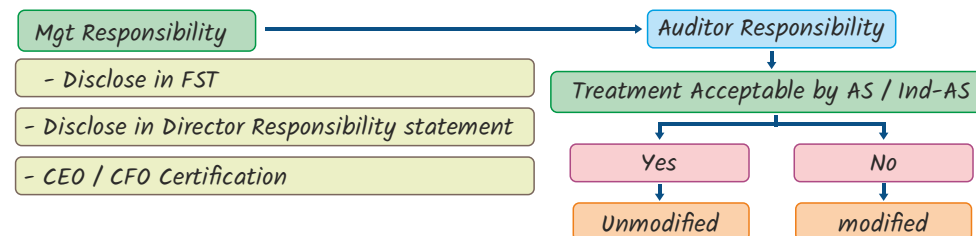
QNO - 429.010

ROLE OF AUDIT COMMITTEE (LODR)



CNO--ACCG.195

IF AS IND-AS NOT FOLLOWED



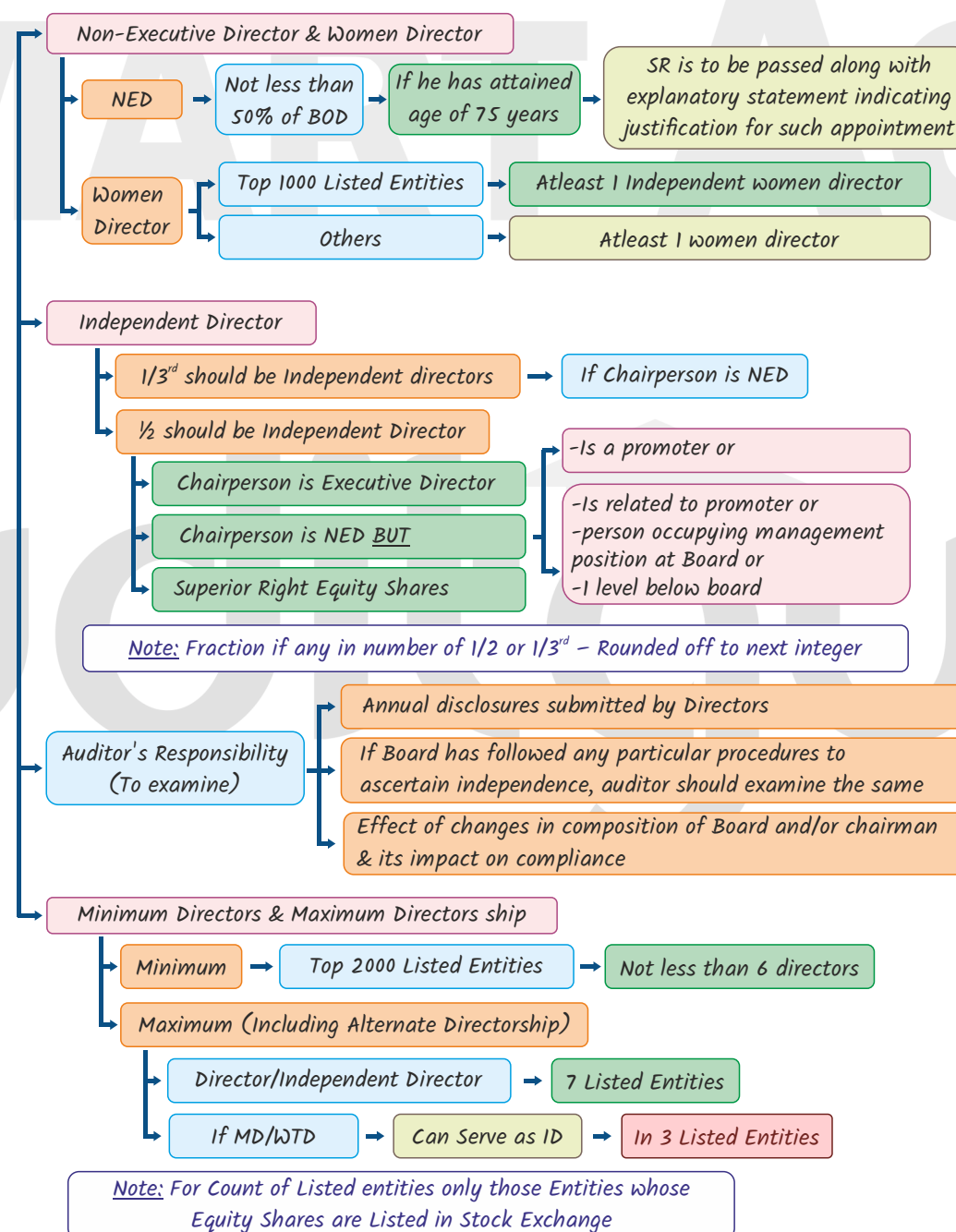
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QNO - 430.500 / 434.200

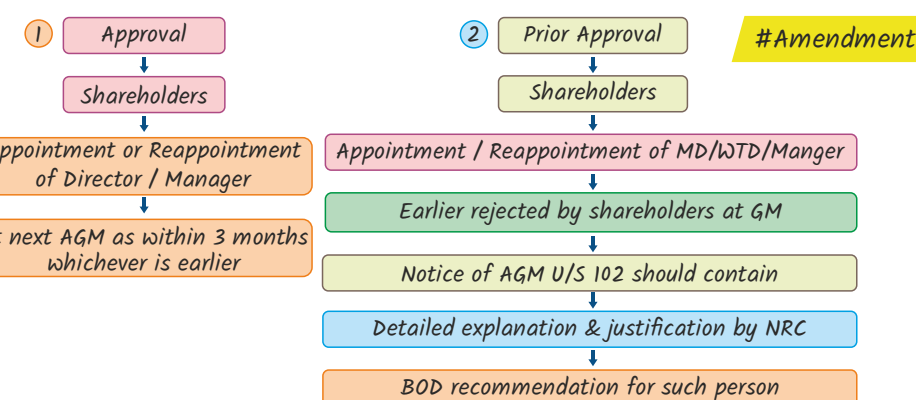
MCQ-AC.1, AC.4, AC.6, AC.7, Incs.09.2, Incs.27.6, Incs.27.7, Incs.33.4

#Amendment

BOARD COMPOSITION VERIFICATION (REGULATION 17 & 17A)



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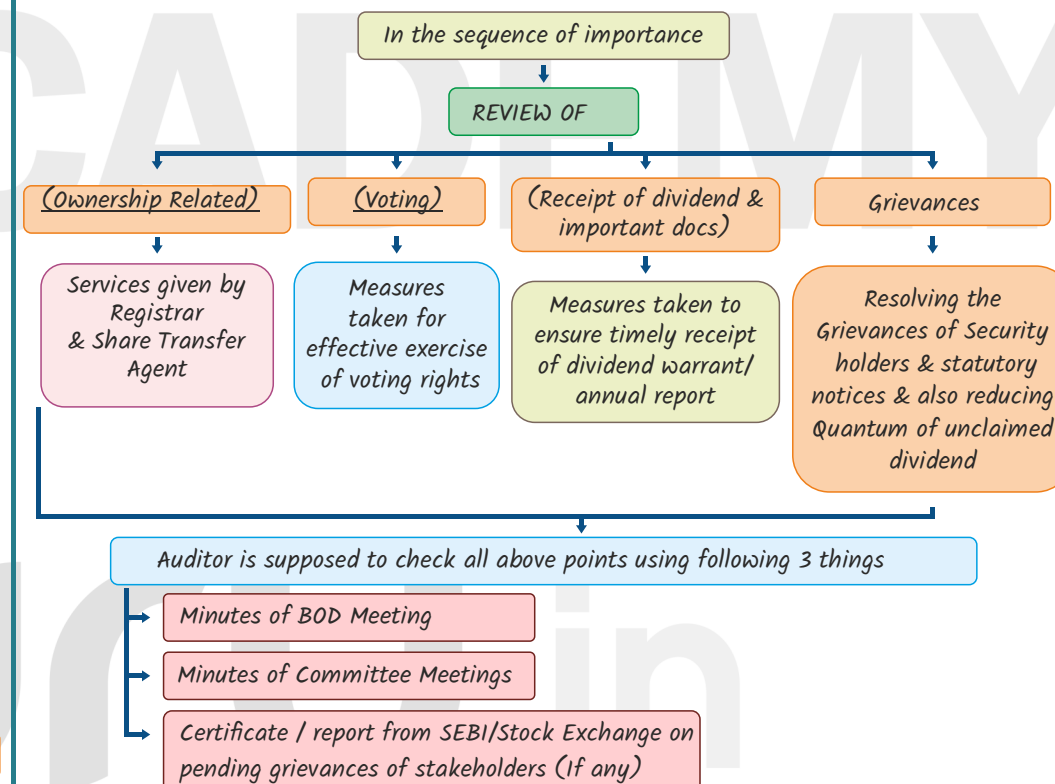
CNO--ACCG.280

QNO - 434.400

MCQ-AC.9 / Incs.15.3

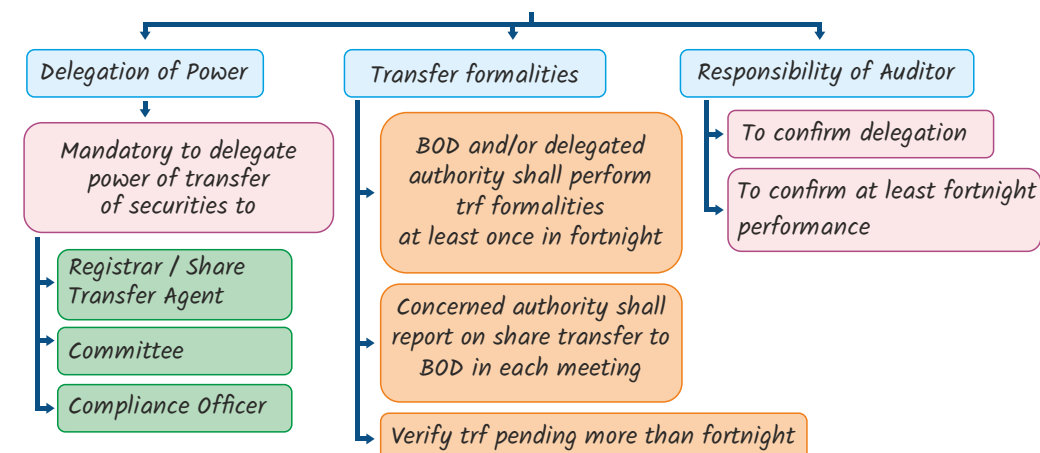
FUNCTIONS OF STAKEHOLDER RELATIONSHIP COMMITTEE (SHARE HOLDERS / DEBENTURE HOLDERS & OTHER SECURITY HOLDERS)

Note: For provisions related to applicability, constitution of Stakeholder Committee refer table of committee at the end of Chapter



CNO--ACCG.260

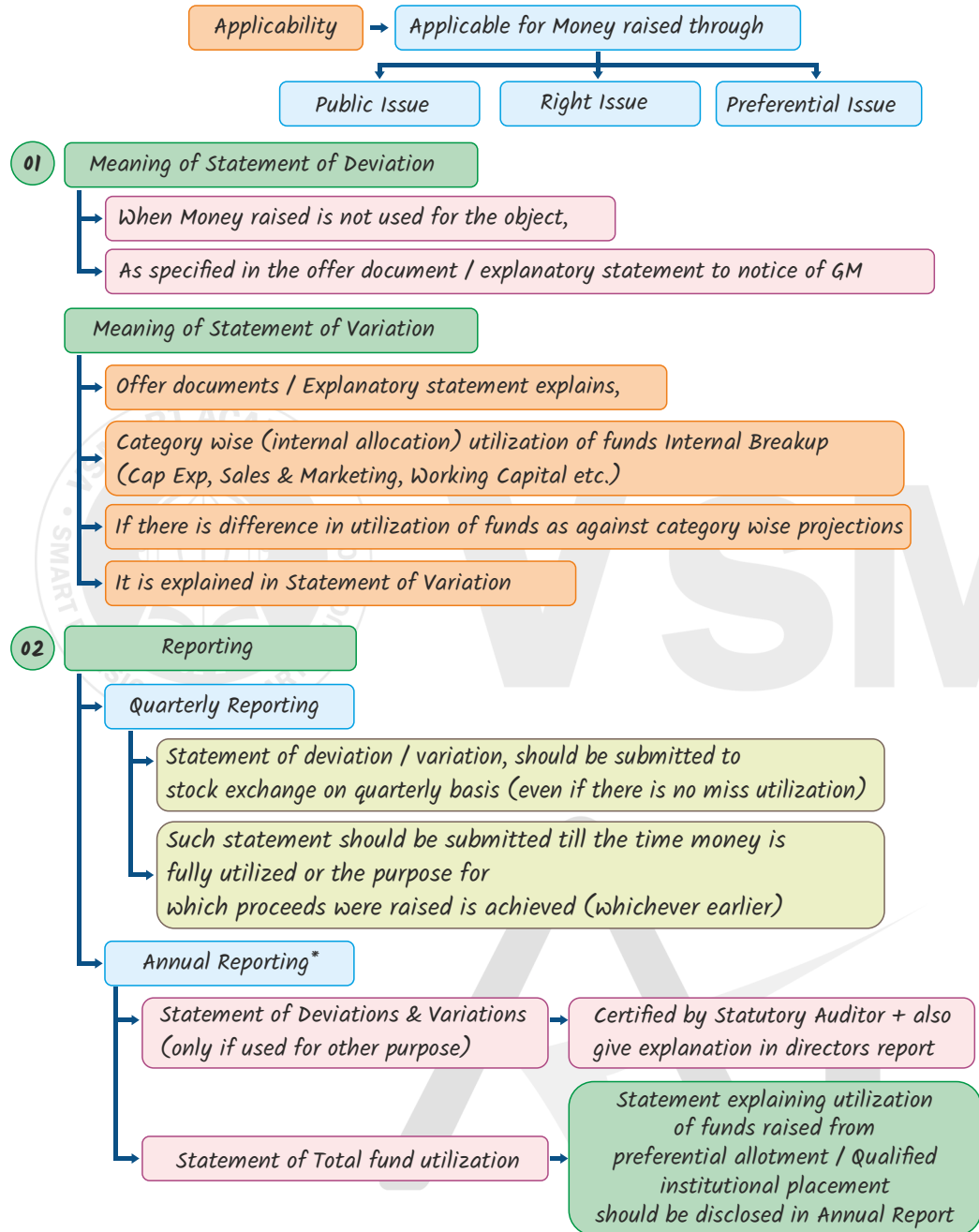
TRANSFER / TRANSMISSION / TRANSPOSITION OF SECURITIES



*** (1) Transfer - Buy / sell shares

(2) Transmission - Transfer by operation of law (2) Transposition - change in order of joint holder

STATEMENT OF DEVIATION / VARIATION



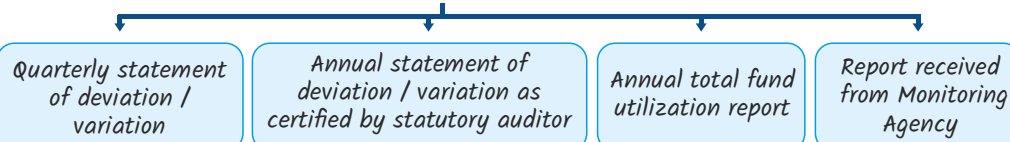
*This point was missed by module but we included it from LODR for better clarity

03 MONITORING AGENCY REPORT

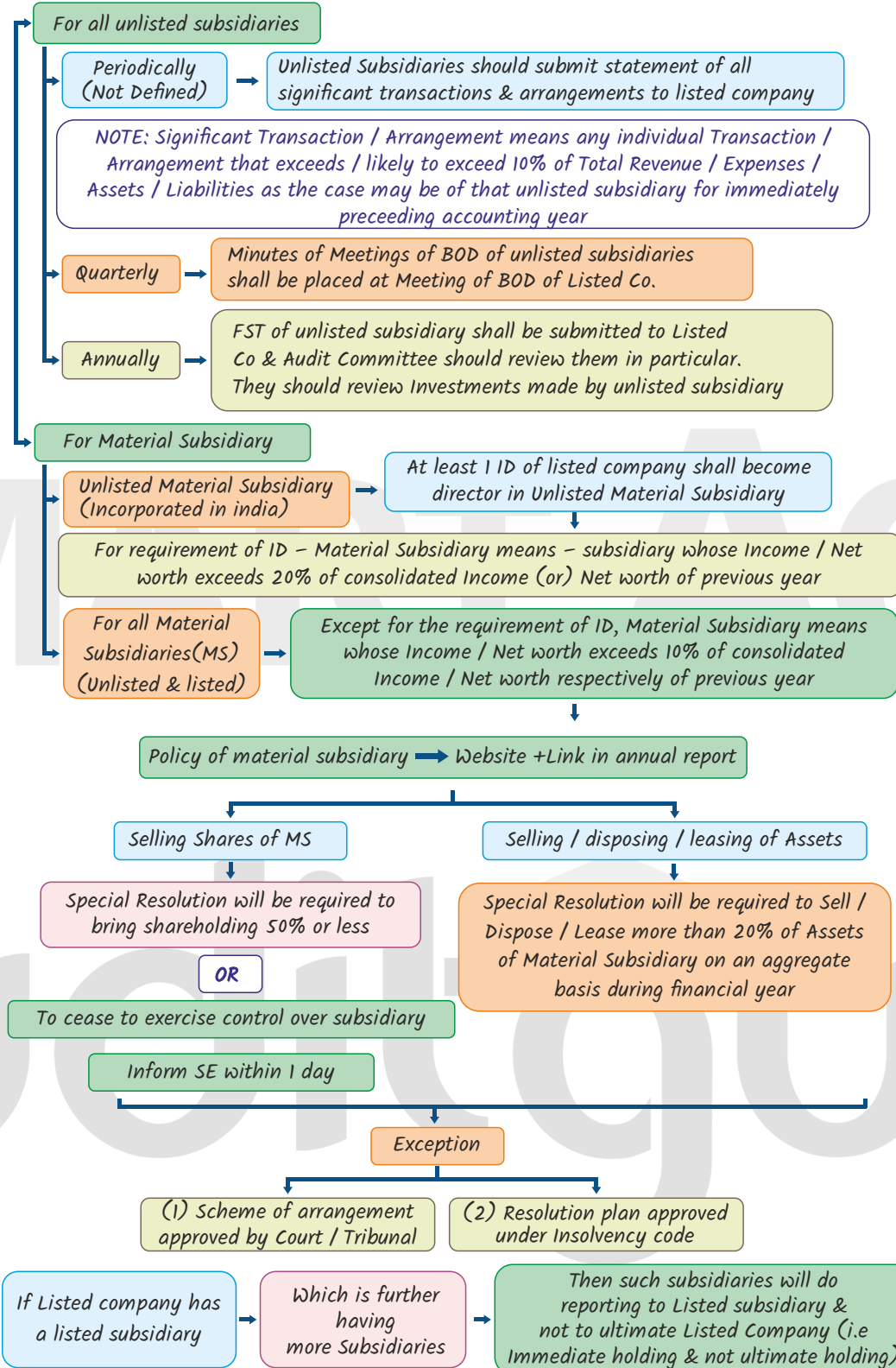
If issue size is of 500 crore or more, then company has to appoint Monitoring Agency &

Any comment / report received from monitoring agency should be submitted to stock exchange

04 AUDIT COMMITTEE REVIEW (Basically all the statement as explained above)

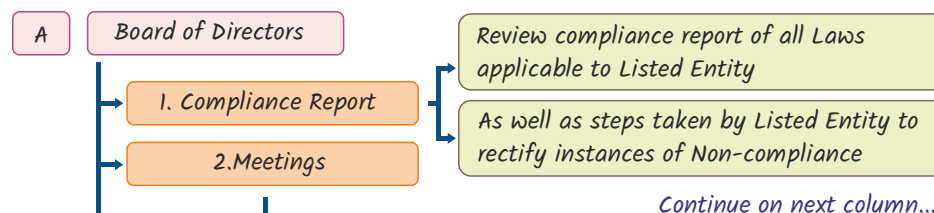


REQUIREMENT OF LODR FOR SUBSIDIARIES

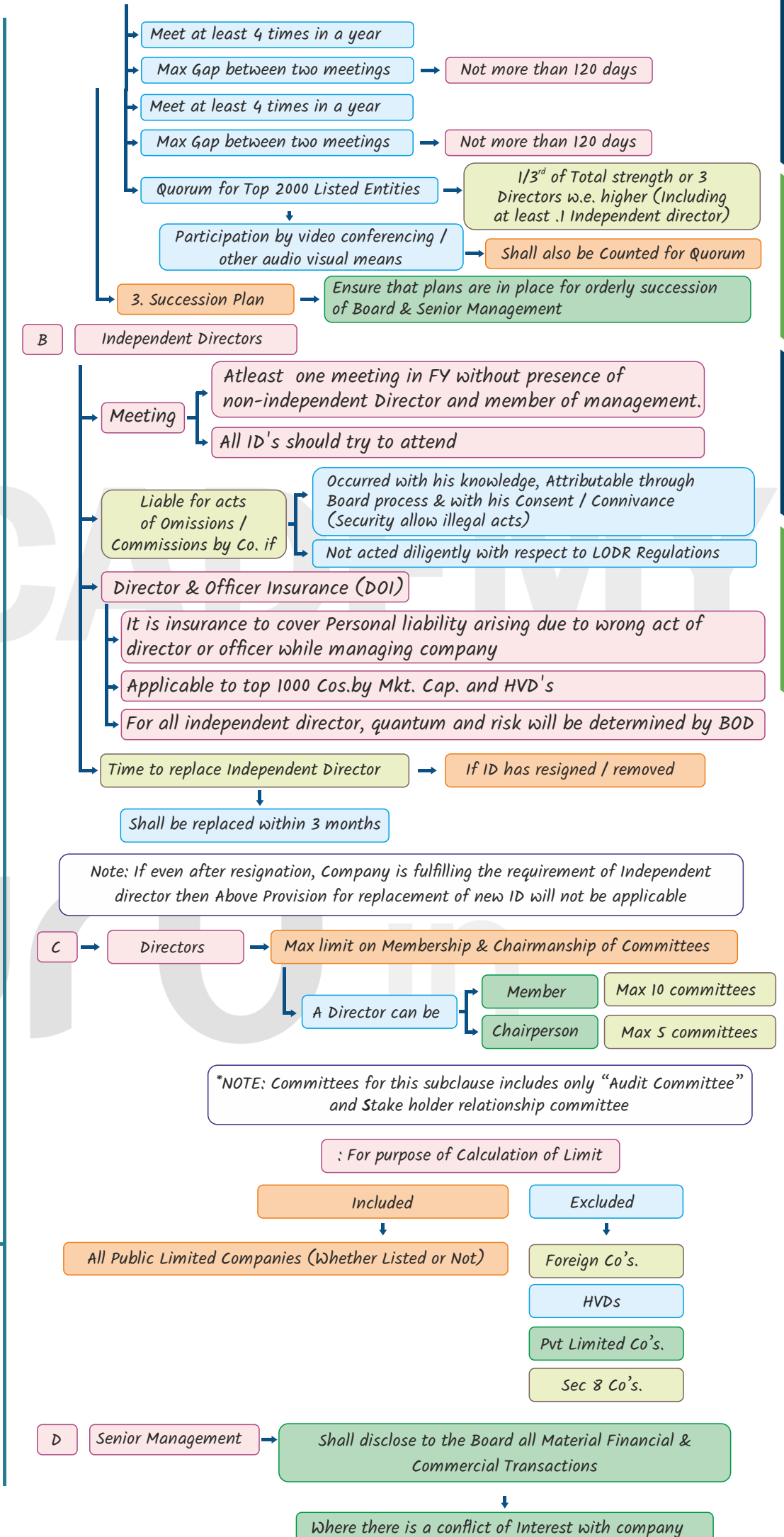


Obligation of BOD, Directors, Independent Directors, Non-Independent Directors & Senior Management (In the Sequence of Importance)

#Amendment



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MANAGEMENT DISCUSSION & ANALYSIS (MDA)

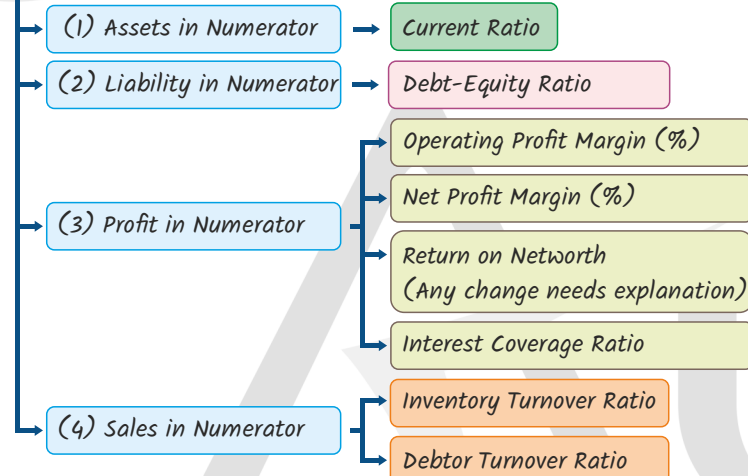
Part of BOD Report

Co should incorporate MDA as part of Directors Report / as an addition to Director's Report

Which is ultimately included in Annual Report

MATTERS WHICH ARE COVERED IN MDAShortcut - **SOFT** discussion with **RISHI** for Management Discussion & Analysis

- S** - Segment wise or product wise performance
- O** - Outlook (Future of Economy & Industry)
- F** - Financial performance with respect to operational performance
- T** - Opportunities & Threats [For business Units in Economy]
- R** - Risks & Concerns [for Entities & its departments] specific & quantified
- I** - Industry structure & development (past year)
- S** - Significant changes in key financial ratios along with detailed explanation [change of 25% or more will be considered as significant]

**H** - Major Development in Human Resources / Industrial relation front**I** - Internal Control system & their adequacy**DISCLOSURE OF ACCOUNTING TREATMENT**

If there is a Non-Compliance of Accounting Standards

Details should be explained in FST along with explanation

Also same should be incorporated in MDA

AUDIT PROCEDURE

Not required to verify

MDA will include along with financial, lot of Non-financial information

Auditor is not supposed to verify this information

He is only supposed to check whether requirements of LODR are complied

If possible, he can check Reasonableness of data with understanding he has obtained in SA 315

Required to check consistency

Check whether Segment wise / Product wise performance information is consistent with information disclosed in Notes to Accounts as per AS 17 / Ind AS 108 - Segment Reporting

CNO--ACCG,340

QNO-433.010

#Amendment

INFORMATION TO SHAREHOLDERS

A] Director Related

Sending Annual Report to shareholders

Every time a new director is appointed / old director is Reappointed following information should be given

Individual

- (1) Brief Resume
- (2) Nature of his expertise
- (3) Relationship with other directors

Corporate

- (4) Names of listed Entities where he is director & membership of committee of Board he holds
- (5) Shareholding of NED

Note: Auditor is supposed to check whether Notice of appointment had all these information

Shareholders who have registered their Email address

Soft Copy of full Annual Report

Shareholders who have not registered their Email address

Hard copies of summary of all documents as prescribed in sec 136 of Co's Act

If some one requests full annual report then send it rather than only silent features

Note :- Time Limit - Not less than 21 days before AGM

AMENDMENT

- Also give details of listed entities from person resigned in past 3 year
- In case of NED also include beneficial holding
- In case of ID how skills & capabilities meet requirement of role

CNO--ACCG,360

QNO-432.000 / 433.020

CODE OF CONDUCT

Meaning of code of conduct

It is a document which explains overall Responsibility of director & senior management & also provides principles which they should use while taking decisions for company

Development of Code of Conduct

Responsibility of BOD

Incorporate requirements of Co's Act

Posting on Website

It is responsibility of BOD to frame code of conduct for Board Members & Senior Management

It should incorporate duties of Independent Directors as given in Companies Act

It shall be posted on website of company

Compliance

Affirmation

Declaration

Responsibility of Auditor

All Board Members & Senior Management shall affirm compliance with Code of Conduct on Annual basis

CEO shall sign a declaration in Annual Report that Board Members & Senior Management has sent affirmations to companies

Simply compliance of above

Definition of Senior Management: Senior Management means all persons in core management team excludes BOD Members Includes (In Sequence of Importance)

CEO/Manager

CFO

CS

All members one level below MD/MTD/CEO/Manager



DISCLOSURES**Disclosure & Transparency Principles**

- Under LODR Co is supposed to disclose / communicate lot of information related to Ownership, Governance, Performance & Financial Situations to different persons
- While making these disclosures following principles should be followed
- Information prepared should be as per

Standards on Accounting (If its Accounting Related)

Standards on Financial Non-financial disclosures (Value Added Statement, Reporting of Human Resources, CSR Reporting, Energy & Environment reporting etc.)

Channels used for giving information should ensure for

Access to user

Equally Timely Cost Efficient

Minutes are also communicated at some instances, Minutes should always record dissenting opinions discussed in Meetings

Disclosure of Material Events / Information

BOD should authorise one or more KMP to determine Materiality of Event / information & then to disclose it to Stock Exchange

Contact details of such people shall be disclosed to stock exchange as well as presented on website

Whenever Material Events occur / material information is available such authorised person should disclose it

To stock exchange

Also host it on website for minimum period of 5 years & thereafter as per archival policy of Listed Entity

SECRETARIAL AUDIT

Applicability

To Listed Entity & its Material unlisted subsidiary incorporated in India

Who will conduct

Company Secretary in Practice

Where to disclose

Annex it with Annual Report & send to shareholder

Coverage

Examines compliance of all the laws, rules, regulations applicable to company

SECRETARIAL COMPLIANCE REPORT

Only to listed entity

Who will conduct

Same

Where to disclose

Within 60 days from the end of FY, send it to stock exchange

Coverage

Examines compliance of SEBI Act, Regulation & Guidelines, etc.

SEXUAL HARASSMENT

Disclosure in Annual Report

Complaints filed

Complaints disposed

Complaints pending

LIMITED REVIEW OF AUDIT REQUIREMENT

Statutory Auditor of listed entity should perform limited review of Audits of all the Entities which are consolidated with the Listed Entity as per AS / Ind AS

SEBI has issued Guidelines on how to Conduct such Limited Review of Audits

These Guidelines are applicable to

Listed Entities whose Equity Shares & Convertible Securities are listed on RSE

Statutory Auditors of such Entities

All the entities which are consolidated

Auditors of Entities which are consolidated

Role / Function of Nomination and Remuneration Committee

Note: For provisions related to applicability, constitution of Nomination & Remuneration Committee refer table of committee at the end of Chapter

For all Directors

- Devise policy on Board Diversity
- Formulate Criteria regarding
 - Qualification
 - Positive attributes
- Identify persons for directorship & Senior Management & recommend their name to Board

For Independent Director's (ID)

- Independence of director
- Formulate criteria for Evaluation of performance
- After evaluation of performance decide whether to continue or extend the term of ID

For Remuneration

Recommend Remuneration for

- Key Management Person
- Directors
- Senior Management
- Other Employees

#Amendment

FOR ID SELECTION & APPOINTMENT

First evaluate skills, knowledge & experiences on BOD

Prepare required roles & responsibilities for ID

Can use services of external agencies for getting suitable candidates

Consider time commitments

APPROVAL OF REMUNERATION OF DIRECTOR UNDER LODR

Remuneration of NED including ID

Recommendation by BOD

Approval by shareholders in GM (Not required for sitting fees within limits approved by Co's Act without CG Approval)

Remuneration to single NED > 50% of total annual remuneration payable to all NED

Approval by special Resolution every year

If

Resolution should specify max stock options that can be granted in aggregate in any financial year

Auditor should verify above with

Meeting

Notice

Explanatory statement

Agenda

Minutes

Also correlate with Disclosure in annual report

VIGIL MECHANISM

For Directors & Employees

Listed Entity should establish vigil Mechanism so that directors & employees can report Genuine Concerns / Matters to the company

Purpose

Provide direct access to chairperson of Audit Committee so that they can Report Matters

Safeguard Director's Employees or any other person against victimization after they report matters

Disclosure

It should be disclosed on companies website

Board of Director's Report

ROLE OF AUDITOR IN AUDIT COMMITTEE & CERTIFICATION OF COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

Audit committee is important part of corporate governance

Both Co's Act & LODR makes it mandatory to Constitute Audit Committee for Certain Co's

This reflect how important Audit Committee is for Corporate Governance of Cos.

Role of Auditor

Auditor directly doesn't frame & implement Corporate Governance But it assists management through AC to understand requirements & ensure better Compliance of Corp Governance

Meetings as Medium of Communication

LODR specifies that representative of statutory Auditor can be invited for Audit Committee meetings

Sec 177 states, Auditors & KMP have the Right to be heard in the Meeting of Audit Committee when they discuss Auditor's Report But they won't have Right to Vote

Areas in which Auditor can Contribute

CG related

Help in improving Corporate Governance

Communicating Areas of high Risk of Material Misstatement in FST

ACC related

Strengthening of Internal Control System about financial reporting

Oversight of financial reporting process

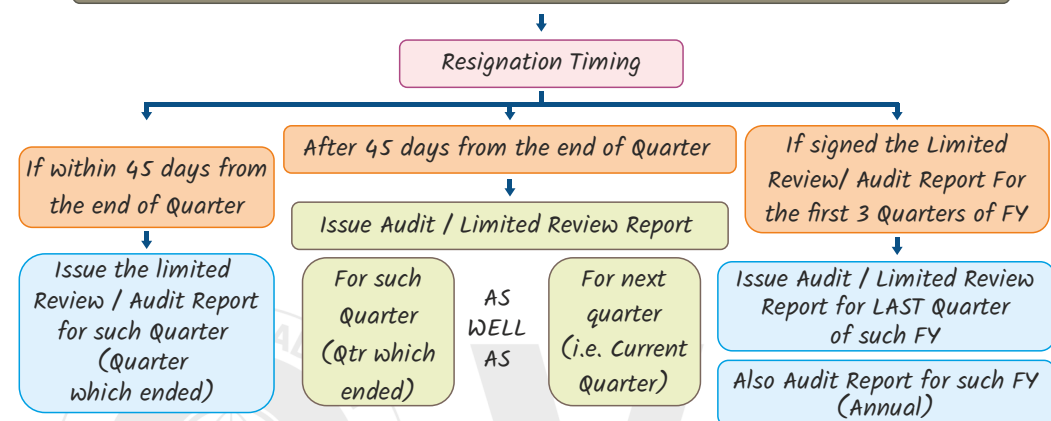
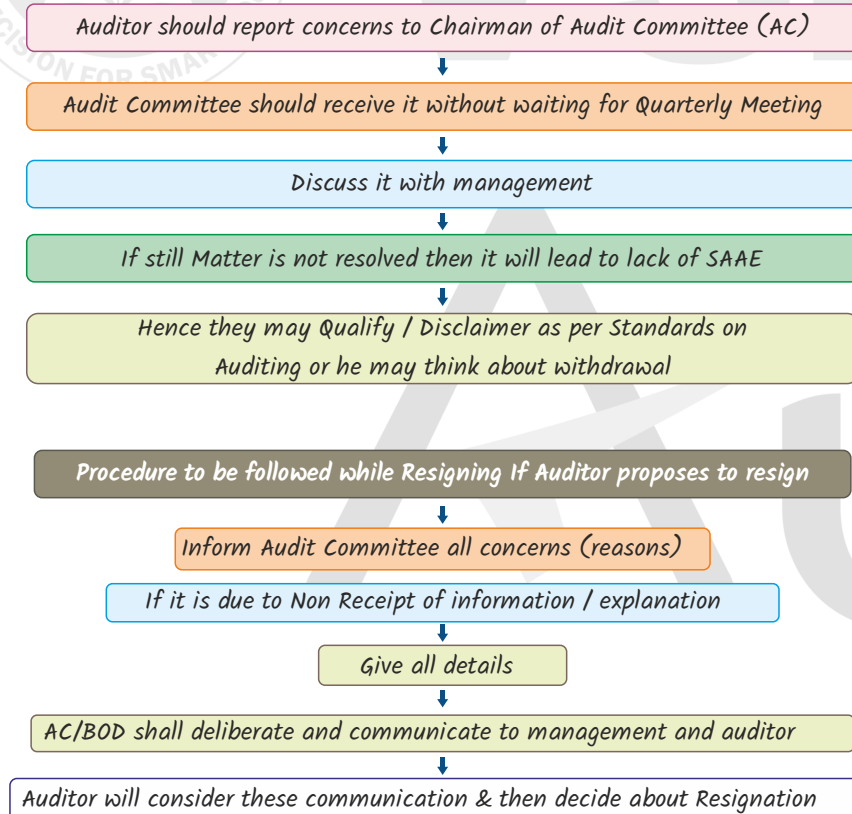
AS related

Compliance of Accounting Standards

Implementation of Accounting policies

CIRCULAR ON RESIGNATION OF AUDITOR

Applicable for all Listed Entities & their Material Subsidiaries

(A) Compulsion to issue Audit Report / Limited Review Report even after resignation**(B) Non-availability of Information / No Co-operation by management****Other points**

Inclusion in Engagement Letter

All the conditions which are mentioned above by Circular should be mentioned in Engagement Letter for knowledge & clarity about the matter between Management & Auditor

Certification by Co. Secretary (CS)

Practicing CS shall certify compliance of above conditions & mention it in Annual Secretarial Compliance Report

Continue on next page...

Communication of resignation

Format of Resignation given by Annexure A to the Circular

As co. receives resignation letter from auditor along with Reasons

They should communicate to stock exchange within 24 Hours

After resignation Audit Committee should discuss all the concerns of auditor with the Management & Finalize their view & such views should be communicated to stock exchange within 24 Hours from the date of Audit Committee Meeting

Non-Applicability of this Circular

In case the auditor is rendered dis-qualified because of Sec 141 of Co's Act, then the provisions of this Circular shall not apply

CNO--ACC6.600**AMENDMENT****TABLE ON COMMITTEES**

Committee Name	RISK MANAGEMENT COMMITTEE	AUDIT COMMITTEE		STAKEHOLDERS RELATIONSHIP COMMITTEE	NOMINATION & REMUNERATION COMMITTEE (NRC)
		Co's Act Sec 177	LODR		
Applicability	Top 1000 & HVDs Listed Entity	Sec 177	LODR	LODR	Listed Public Company
Chairman	Member of BOD	—	Independent Director	NED	ID be present at AGM
Members			Present at AGM	Present at AGM	Chairman of Co cannot chair this Committee He may become member of NRC
Minimum directors	Minimum 3	Min 3	Min 3	Min 3	Min 3
ID/ Majority	- Majority from BOD - At least 1 ID	Majority ID	2/3 rd - ID	At least 1 ID	All NED
Other Points	Senior Executive can become member	Majority be able to read FST (Incl Chairman)	All financially literate / Expert CS-Secretary	—	2/3 Independent
Effect of Superior Right Equity Shares	2/3 rd Members should be Independent Directors	—	All ID	2/3 rd ID	—
Meetings	- At least twice in a year - Gap not more than 180 days	—	Min 4 times Gap not be more than 120 Days	At least once in a year	At least once in a year
Quorum	- 1/3 or 2 member whichever is higher - At least 1 member of BOD	—	1/3 rd or 2 whichever higher 2 ID's	—	1/3 rd or 2 whichever higher At least 1 ID
Important Functions	- Risk mgt plan - Cyber security - Seek info	Ref chart on functions of Audit Committee u/s 177	Ref chart on role of Audit Committee as per LODR	Ref chart on Stakeholder relationship committee	Ref chart on NRC
Power	- Obtain legal advice - Secure attendance of outside expert - Investigate matters in Ac's domain	Note :- (1) Top 1000 - Risk mgt committee - 1 independent Women Director - D&O Insurance (HUDs)		Note :- (2) Top 2000 - Minimum 6 Directors - Quorum requirement for BOD meeting 1/3rd as 3 Director (1 ID)	

