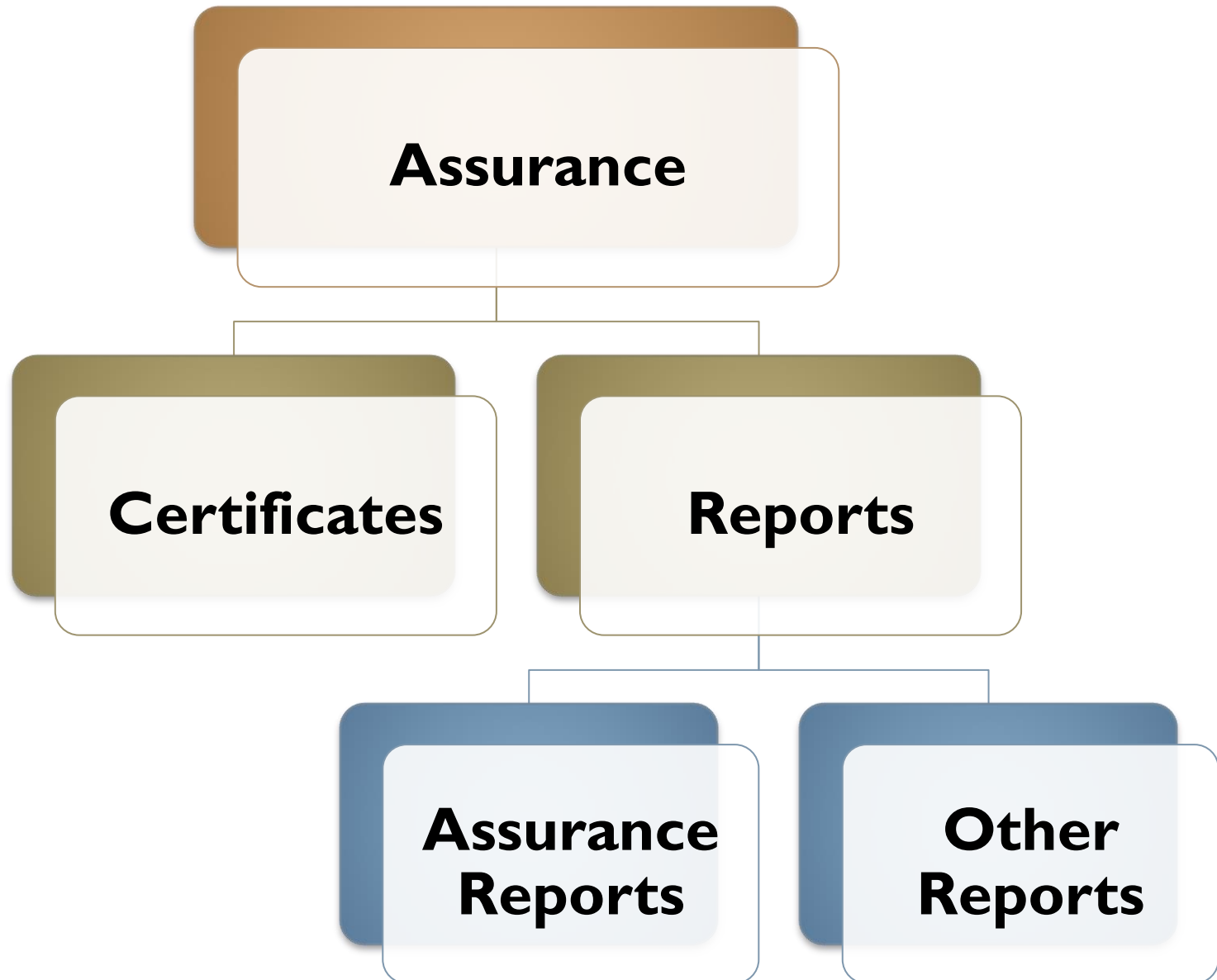


Issue of Certificates & Reports by Chartered Accountants & Audit Trail



CA. PRAMOD JAIN
FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

ICAI - Rohini CPE (NIRC)
14th April 2023



OVERALL

- **Frameworks**
- **Statements**
- **Standards**
- **Guidance Notes**
- **Technical Guide**
- **Clarifications**
- **Practice Manuals**
- **Studies**
- **Other Materials**

Certificates

- **How are they issued?**
- **For what??**
- **Guidance Note on Reports or Certificates for Special Purposes**
- **UDIN**

GN Illustrations

1. **Turnover/Net Worth/Net Profit/Working Capital/similar engagement pursuant to a Tender requirement**
2. **Annual Activity Certificate for Indian Branch Office/Liaison Office of Foreign Companies**
3. **Manner of Utilization of Funds required under SEBI (LODR) Regulations, 2015**
4. **Statement of Fixed Assets for the Last Two Years in Respect of One of the Project of an Entity**

Certificate Format

- **EL / Agreement**
- **Matter to be certified**
- **Management Responsibility**
- **Practitioner's Responsibility**
- **Opinion**
- **Restriction of Use**
- **Signatures with UDIN**

Main Objective of Audit

- To express an opinion on Financial Statement (FS)
- FS should be prepared as per applicable AS and statutory requirements
- Responsibility of FS, AS,...

Accounting Standards



**Entities that
are to follow
AS**

Companies

**Other than
Companies**

**Companies
(Accounting
Standards)
Rules, 2021**

Ind AS

ICDS

**AS issued
by ICAI**

ICDS

AS

- **Companies (Accounting Standards) Rules, 2021 notified vide notification dated 23.06.2021**
- **These have replaced Companies (Accounting Standards) Rules, 2006**
- **Effective for accounting periods commencing on or after 1st April, 2021**

Companies Act 2013

- **FS has to be AS compliant:**

- **FS to disclose deviation from AS**
- **Reason for deviation**
- **Financial effect arising of deviation**

- **Non- compliance**

- **MD,**
- **WTD in charge of finance**
- **CFO**
- **Any other person charged by Board**
- **If no one – all directors**
- **Fine – 50 k to 500 k**
- **ICAI**

- **NFRA**

AS Applicability for Companies other than Ind AS

- Effective for Accounting Periods from 1.4.2021

Conditions	SMC			Other than SMC	
	Existing	Revised		Existing	Revised
Turnover (excluding other Income) in PY	< 50 Cr	< 250 Cr		> 50 Cr	> 250 Cr
Borrowing (including public deposit)	< 10 Cr	< 50 Cr		> 10 Cr	> 50 Cr

???

- **Are Financial Statements Audited during Tax audit of Prop. Partnership?**
- **Are Notes to the accounts prepared for Non-Corporates**
- **Are Accounting Standards applicable to Non-corporates?**
- **What if there is non-compliance?**
- **Where to Report such non-compliance?**



Formats of Financial Statements for Non-corporate Entities

Balance Sheet

Name of the Non-Corporate Entity.....

Balance Sheet as at

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	1	2	3	4
I.	OWNERS' AND LIABILITIES			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(c) Other Long Term Liabilities			
	Long-term provisions			
(3)	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c)Other current liabilities			
	(d)Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non-Current Assets			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	TOTAL			

STATEMENT OF PROFIT AND LOSS

Name of the Non-Corporate Entity.....**CA. Pramod Jain**

Statement of Profit and loss for the year ended

(Rupees in.....)

	Particulars	Note	Figures for the current reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	Total Income (I + II)		xxx	Xxx
IV.	Expenses			
(a)	Cost of Goods Sold			
(b)	Employee benefits expense		xxx	Xxx
(c)	Depreciation and amortization expense		xxx	Xxx
(d)	Finance Cost		xxx	Xxx
(e)	Other expenses		xxx	xxx

	Particulars	Note	Figures for the current reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items & tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before tax (VII- VIII)		xxx	xxx
X	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Deferred tax		xxx	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing operations		xxx	xxx
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit/ (Loss) (XI + XIV)		xxx	xxx

AS Disclosures in Notes

- **SMC / Non- SMC**
- **AS I - Policies**

SMC Disclosure

- **For FS upto 31.3.2021** - “The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company.”
- **For FS from 1.4.2021** - “The Company is a Small and Medium Sized Company (SMC) as defined in the Companies (Accounting Standards) Rules, 2021 notified under the Companies Act, 2013. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company.”
- **Two year wait period if change from Non-SMC to SMC**

MSME Disclosure

Non Corporate

- **“The Entity is a Micro Small and Medium Sized Enterprise (MSME) as per the announcement made by ICAI and has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III or Level IV, as the case may be.”**
- **Two year wait period if change from Level I to II or II to III or III to IV**

AS Applicability for Non-Corporates

- Effective for Accounting Periods from 1.4.2020
- Instead of 3 levels.. Now 4 levels

Level	Turnover			Borrowing	
	Existing	Revised		Existing	Revised
I	> 50 Cr	> 250 Cr		> 10 Cr	> 50 Cr
II	1-50Cr	50-250 Cr		1-10 Cr	10-50 Cr
III	< 1 Cr	10-50Cr		< 1 Cr	2-10Cr
IV		< 10 Cr			< 2 Cr

AS Applicability

AS No.	Short Title	Companies		Non - Corporates			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
1	Accounting Policies	Y	Y	Y	Y	Y	Y
2	Inventories	Y	Y	Y	Y	Y	Y
3	Cash Flow	Y	N/Y	Y	N	N	N
4	Events after Balance Sheet date	Y	Y	Y	Y	Y	Y
5	Prior Period Items & Policies	Y	Y	Y	Y	Y	Y
6	Depreciation (Omitted w.e.f. 30.3.16)	NA	NA	NA	NA	NA	NA
7	Construction	Y	Y	Y	Y	Y	Y
9	Revenue	Y	Y	Y	Y	Y	Y
10	Property, Plant & Equipment	Y	Y	Y	Y	Partly	Partly
11	Foreign Exchange	Y	Y	Y	Y	Partly	Partly
12	Government Grants	Y	Y	Y	Y	Y	Y
13	Investments	Y	Y	Y	Y	Y	Y
14	Amalgamations	Y	Y	Y	Y	Y	N
15	Employee Benefits	Y	Partly	Y	Partly	Partly	Partly

AS Applicability

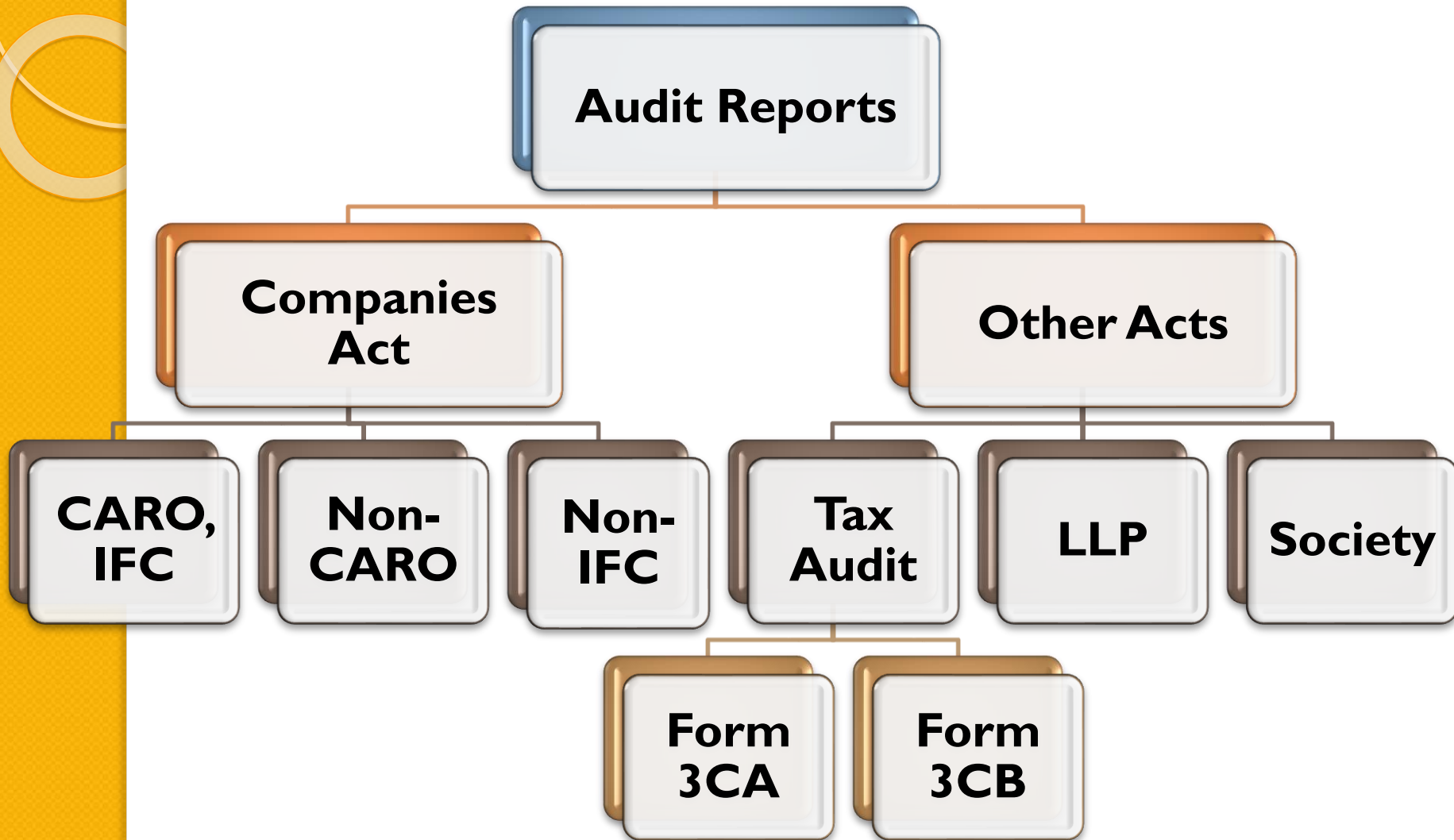
AS No.	Short Title	Companies		Non - Corporates			
		Non-SMC	SMC	L - I	L- II	L - III	L - IV
16	Borrowing Cost	Y	Y	Y	Y	Y	Y
17	Segment	Y	N	Y	N	N	N
18	Related Party	Y	Y	Y	Y	N	N
19	Leases	Y	Partly	Y	Partly	Partly	Partly
20	Earning Per Share	Y	Partly	N	N	N	N
21	Consolidation	N/Y	N/Y	(listed)	N	N	N
22	Deferred Taxes	Y	Y	Y	Y	Y	Partly
23	Consolidated Statements	N/Y	N/Y	(listed)	N	N	N
24	Discontinuing Operation	Y	Y	Y	Y	N	N
25	Interim Reporting	Y (listed)	N**	N**	N**	N**	N
26	Intangible Assets	Y	Y	Y	Y	Y	Partly
27	Interest in Joint Ventures	N/Y	N/Y	(listed)	N	N	N
28	Impairment	Y	Partly	Y	Partly	Partly	N
29	Contingency	Y	Partly	Y	Partly	Partly	Partly

AS- Classification

- Disclosure
 - AS 1, 3, 17, 18, 20, 21, 23, 24, 27
- Recognition & Measurement
 - AS 2, 10, 12, 13, 16, 26, 28
- Capital or Revenue
 - AS 4, 5, 9, 11, 15, 22, 29
- Expenses/ Income relating to which year- Principle of prudence applied
 - AS 7, 14, 19, 25
- Specific

AUDIT





Company's Audit report

- **Inquiry u/s 143(1) – 6 points**
- **To be reported when comments required**
- **Report to also include:**
 - **Matters specified u/s 143(3) - 9 points**
 - **Matters specified in Rules - 7 points**
 - **Any order made u/s 143(3) for specified Companies in consultation with NFRA – CARO 2020 – 21 points**

IFC Applicability w.e.f. 13.7.2017

- **Not applicable to Pvt. Company which:**
 - **Is OPC; or**
 - **Is Small Company; or**
 - **Has:**
 - **Turnover less than Rs. 50 crores as per latest audited financial statement ;and**
 - **Aggregate borrowings at any point of time during the FY less than Rs. 25 crore from:**
 - **Banks or**
 - **Financial Institutions or**
 - **Any body corporate**

Types of Audit Reports

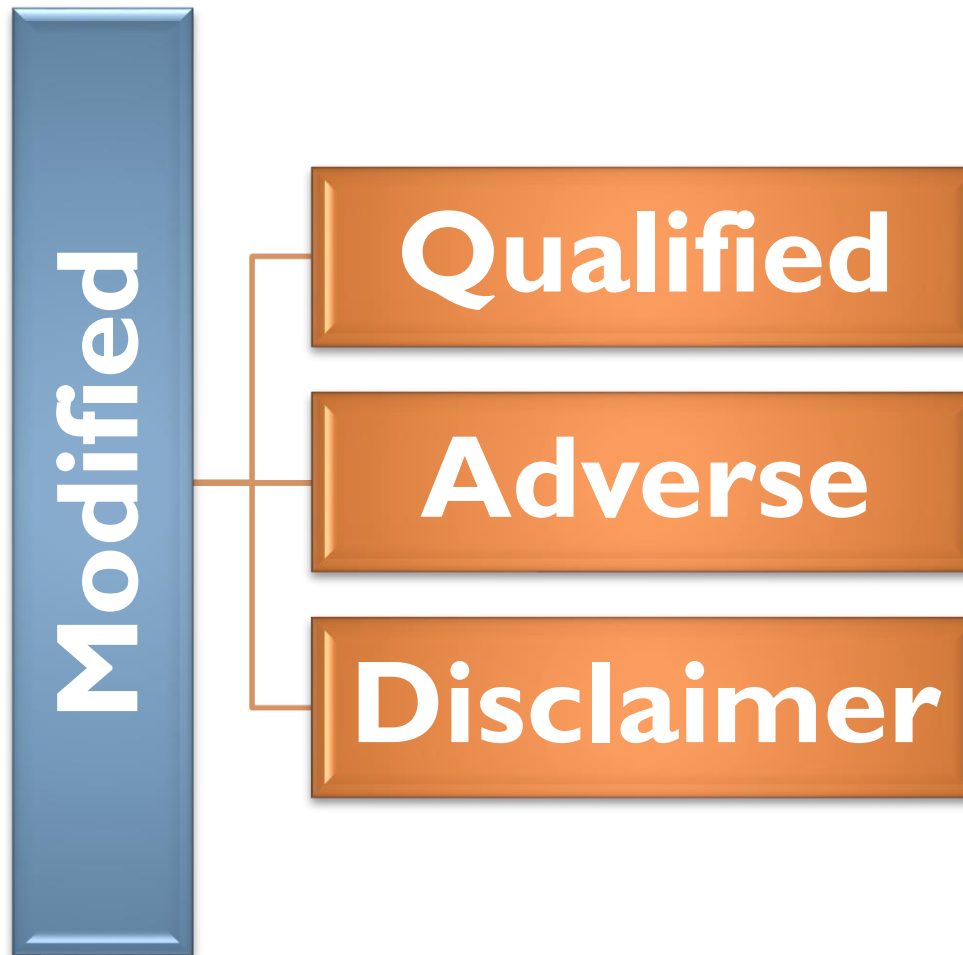


Unmodified



Modified

Modified Audit Reports



Modified Audit Reports

	Auditor's judgment about Pervasiveness of the matter	
Nature of Matter	Material but NOT Pervasive	Material AND Pervasive
Financial statements are Materially misstated	Qualified Opinion (...except for...)	Adverse Opinion (...do not present true & fair...)
Unable to obtain Sufficient Appropriate Audit Evidence	Qualified Opinion (...except for...)	Disclaimer of Opinion (...we do not express an opinion...)



No. of Standards

Type of Standards	Abbrevi ation	Numerical Series	Nos.
Standards on Quality Control	SQC	01-99	1
Standards on Auditing	SA	100-999	38
Standards on Review Engagements	SRE	2000-2699	2
Standards on Assurance Engagements	SAE	3000-3699	3
Standards on Related Services	SRS	4000-4699	2

Standards on Auditing

SA. No.	Sub-division	No.
100-199	Introductory Matters	0
200-299	General Principles & Responsibilities	9
300-499	Risk Assessment and Response to Assessed Risks	6
500-599	Audit Evidence	11
600-699	Using Work of Others	3
700-799	Audit Conclusions and Reporting	6
800-899	Specialized Areas	3

General Principles & Responsibilities - 9

SA. No.	Sub-division
200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing
210	Agreeing the terms of Audit Engagement
220	Quality Control for an Audit of Financial Statements
230	Audit Documentation
240	The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements
250	Consideration of Laws and regulations in an Audit of Financial Statements
260	Communications with Those Charged with Governance
265	Communicating Deficiencies in Internal Control with Those Charged with Governance & Management
299	Responsibility of Joint auditors

Risk Assessment & Response to Assessed Risks - 6

SA. No.	Sub-division
300	Planning an Audit of Financial Statements
315	Identifying and assessing the Risks of Material Misstatement through understanding the entity and its Environment
320	Materiality in Planning and Performing an Audit
330	The Auditor's Response to Assessed Risks
402	Audit consideration relating to entities using Service Organisations
450	Evaluation of Misstatements identified during the Audit

Audit Evidence - I I

SA. No.	Sub-division
500	Audit Evidence
501	Audit Evidence – Specific Considerations for Selected Items (Inventory, Litigation & Claims, LT Invt , Segment)
505	External Confirmations
510	Initial Engagements – Opening Balances
520	Analytical Procedures (Ratios & Trends, Investigation of fluctuations)
530	Audit Sampling

Audit Evidence - I I

SA. No.	Sub-division
540	Auditing accounting estimates, including Fair Value Accounting estimates, and related disclosures
550	Related Parties
560	Subsequent Events
570	Going Concern
580	Written Representations

Using Work of Others - 3

SA. No.	Sub-division
600	Using the Work of Another Auditor
610	Using the Work of Internal Auditors
620	Using the Work of an Auditor's Expert

AUDIT CONCLUSIONS & REPORTING - 7

SA. No.	Sub-division
700	Forming an Opinion and Reporting on Financial Statements
701	Communicating Key Audit Matters in the Independent Auditor's Report
705	Modifications to the Opinion in the Independent Auditor's Report
706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor
710	Comparative Information—Corresponding Figures and Comparative Financial Statements
720	The Auditor's Responsibility in relation to other information in Documents containing Audited Financial Statements

SPECIALIZED AREAS - 3

SA. No.	Sub-division
800	Audits of Financial Statements Prepared in Accordance with Special Purpose Framework
805	Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
810	Engagements to Report on Summary Financial Statements

Standards on Review Engagements

SRE No.	Sub-division
2400	Engagements to Review Financial Statements
2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

Standards on Assurance Engagements

SRE No.	Sub-division
3400	The Examination of Prospective Financial Information
3402	Assurance Reports on Controls at a Service Organisation
3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus

Standards on Related Services

SRE No.	Sub-division
4400	Engagements to Perform Agreed-upon Procedures regarding Financial Information
4410	Engagements to Compile Financial Information

Peer Review - Mandatory

Ph	Category of Firms	Date Frm
I	Firms which have undertaken Statutory Audit of listed enterprises	1.4.2022
II	<ul style="list-style-type: none"> Firms which have undertaken S.Audit of unlisted public co. having: <ul style="list-style-type: none"> paid-up capital of not less Rs. 500 Crores or annual turnover of not less than Rs. 1000 crores or in aggregate, outstanding loans,/debentures/ deposits of not less than Rs. 500 crores as on 31st March of preceding FY OR Firms having 5 or more partners anytime during preceding FY 	1.4.2023
III	Firms which have undertaken the Statutory Audit of: <ul style="list-style-type: none"> entities which have raised funds from public / banks / FI over Rs. 50 Crores during period under review or any body corporate including trusts which are covered under PIE OR Firms having 4 or more partners 	1.4.2024
IV	Firms conducting audits of branches of Public Sector banks OR Firms having 3 or more partners and rendering assurance services	1.4.2025

SQC

- **Only I - Quality control for Firms that perform Audits and Reviews of Historical Financial Information, & Other Assurance and related Services Engagements**
- **Mandatory - For all engagements relating to accounting periods beginning on/after 1.4.09**
- **Objective - To provide guidance regarding a firm's responsibilities for its system of quality control for:**
 - **Audits of historical financial information**
 - **Reviews of historical financial information**
 - **For other assurance**
 - **For related services engagements**
- **Peer Review after 1.4.2014**

QC to Include Policies for

- **Leadership responsibilities for quality within the firm**
- **Ethical requirements**
- **Acceptance and continuance of client relationship and specific engagements**
- **Human resources**
- **Engagement performance**
- **Monitoring**

Quality Controls

- **Code of Conduct**

- **Documentation**

- **Maintenance of Professional Skills & Standards**

- **Staff Supervision & Development**

- **Independence Policies & its Communication**

- **Outside Consultation**

- **Review & Evaluation of Internal Controls**

- **Substantive Tests**

Code of Conduct

- **Integrity**
- **Independency**
- **Objectivity**
- **Professional competence and due care**
- **Confidentiality**
- **Professional behaviour**

Documentation

- **Have checklists, tell articles to cross verify**
- **Seniors to cross verify**
- **Take necessary certificates / representation from management**
- **External Confirmations**
- **Ensure Compliance of ASs**
- **Ensure all applicable regulatory compliances including Companies Act, 2013**
- **Comply with SAs**
- **Work not documented is work not done.**



Audit Trail



AUDIT TRAIL

- **Applicable only for companies.**
- **For accounting period commencing on or after 1.4.2023**
- **Books of accounts using accounting software. Books of accounts includes records in respect of:**
 - **all sums of money received and expended**
 - **all sales and purchases of goods and services**
 - **assets and liabilities of the company; and**
 - **items of cost – cost records**

AUDIT TRAIL

- **Accounting software should have feature of:**
 - **Recording audit trail of each and every transaction,**
 - **creating an edit log of each change made in books of account**
 - **date when such changes were made; and**
 - **ensuring that the audit trail cannot be disabled.**
- **Reporting in Auditor Report u/r 11(g) from FY 2022-23 itself.**

AUDIT TRAIL !!!

- **Can transactional books be maintained through different period?**
- **For small companies, can all books be maintained after year end?**
- **Non- Compliance:**
 - **Company**
 - **Auditor – reporting – ICAI Implementation Guide**

Audit Procedure in Brief



Do's

As per Applicable Law

Comply with AS

Comply with SAs

Document Well

Generate UDIN

Inform Client in advance

Conduct Audit in time

**Issue Report in Hard copy
too in case of Tax Audits**

**Billing & Collection in
Time**

Enjoy life too – Sundays off

Don'ts

No Wrong Advice

No Compromise

No Wrong Facts

No STRESS

No Free Work

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Questions



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1

answer

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Answered By [CA PRAMOD JAIN](#)

5 views

Question added **1 hour** ago [Income Tax](#) By [Vijay Kumar](#), CA, New delhi

0

answers

Q. How I file income tax return

11 views

Ask a question:

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