AUDIT REPORTS AND CERTIFICATES FOR SPECIAL PURPOSE ENGAGEMENT

LEARNING OUTCOMES

After studying this chapter, you will be able to:

- Understand the key features of Audit Reports and Certificates for Special Purpose Frameworks.
- Gain the knowledge of reporting for agreed upon procedures, summary financial statements, etc. in accordance with relevant SAs, SREs and SRSs.
- Learn about relevant procedures and reporting requirements in accordance with Guidance note on Reports or Certificates for Special Purposes.
1. INTRODUCTION

In the present environment due to varying needs of the multiple stakeholders, the auditor may be required to issue different types of the reports or certificates. In the previous chapter, the auditor report requirement prescribed under SA 700, SA 705 and SA 710 was explained in detail. The objective of this chapter is provide a overview of various other type of reports or certificates which can be issued under the Standards on Auditing, Standards on Review Engagements, Standard on Related Services or Guidance Note issued by Institute of Chartered Accountants of India (ICAI).

Members of the Institute of Chartered Accountants of India (ICAI) are often called upon to issue reports/certificates for special purposes e.g. reports/certificates are commonly asked for by bankers regarding usage of borrowed funds while government agencies inviting tenders require certificates related to net worth of the bidder entity and in other cases, for their welfare schemes. Sometimes, these special purpose
reports/certificates are also required from the members, by the management of the entities to fulfill a contractual reporting obligation and for their own internal purposes.

**Few examples of the same are:**

<table>
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<th>SA/SRE/SRS</th>
<th>Particulars</th>
<th>Illustrative Cases</th>
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<tr>
<td>Guidance Note</td>
<td>Guidance note on Reports or Certificates for Special Purposes</td>
<td>This covers reports or certificates required to be issued other than those which are linked to historical financial information. For example Certificates (i) Pursuant to requirement of Reserve Bank of India guidelines, Certificate of unhedged foreign currency exposure as of cut-off date is required to be issued by the auditor (ii) Annual activity certificate on Project office/liaison office/branch 1. Certificate on probable exposure-Adherence to RBI Guidelines</td>
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<tr>
<td>SA 800</td>
<td>Audits of Financial Statements Prepared in Accordance with Special Purpose Framework</td>
<td>2. The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors; 3. The financial reporting provisions established by a regulator to meet the requirements of that regulator; or 4. The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.</td>
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<td>SA 805</td>
<td>Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</td>
<td>1. Audit of Cash and Bank 2. Audit of revenue and debtors 3. Audit of Creditors</td>
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<td>SA 810</td>
<td>Engagements to Report on Summary Financial Statements</td>
<td>Requirement by a law or a regulation governing the entity to report on summary financial statements. For example, in case of filing of prospectus for issuance of shares</td>
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<tr>
<td>SRE 2400</td>
<td>Engagements to Review Historical Financial Statements</td>
<td>Group Auditor in another territory requesting their network firm to do review of the financial statements where this firm is not the auditor</td>
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| SRE 2410 | Review of Interim Financial Information Performed by the Independent Auditor of the Entity | a) Limited reviews conducted pursuant to SEBI requirement for listed entities  
b) Review procedures to be performed by a component auditor to support Group auditor |
| SRS 4400 | Engagements to Perform Agreed-upon Procedures regarding Financial Information | Certain agreed upon procedures performed on concerning individual items of financial data. Example:  
(i) accounts payable  
(ii) accounts receivable  
(iii) purchases from related parties  
(iv) sales and profits of a segment of an entity |

### 2. GUIDANCE NOTE ON REPORTS OR CERTIFICATES FOR SPECIAL PURPOSES

The purpose of this Guidance Note is to provide guidance on engagements which require a professional accountant to issue reports other than those which are issued in audits or reviews of historical financial information. The reports which are issued pursuant to audits or reviews of historical financial information are dealt with in Standards on Auditing (SAs) and Standards on Review Engagements (SREs), respectively, issued by the Institute of Chartered Accountants of India (ICAI).
This requirement was felt as there were numerous situations where regulatory authorities like SEBI, ROC, Income Tax, Central Board of Excise and Customs (CBEC), Reserve Bank of India etc. requires a professional accounting firm or the statutory auditor of the organization to provide opinion on certain specific matters which are provided by the organisation as part of statutory requirements.

SEBI requires statutory auditor to issue certification on accounting treatment in case of a merger of two entities or reorganization, Income Tax authorities requires auditor to certify amount eligible Minimum Alternative tax under Section 115JB of Income tax Act, 1961.

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<th>Sr. No.</th>
<th>Authorities</th>
<th>Examples of Various types of Certificates</th>
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<tr>
<td>1.</td>
<td>Reserve Bank of India</td>
<td>Certificate of unhedged foreign currency exposure as at year end</td>
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<td>Certificate for adherence to guidelines as per RBI circular</td>
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<td>Annual activity certificate for branch office, Liaison office, Project office etc.</td>
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<td>Certificate of probable exposure</td>
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<tr>
<td>2.</td>
<td>Companies Act, 2013</td>
<td>Certificate pursuant to proviso to Section 230(7) of the Companies Act, 2013 in relating to accounting treatment prescribed under the Scheme of Arrangement.</td>
</tr>
<tr>
<td>3.</td>
<td>Income Tax Act, 1961</td>
<td>Reporting on Expenditure incurred on R&amp;D Centre approved under Section 35(2AB)</td>
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<tr>
<td>4.</td>
<td>Others</td>
<td>Certificate for net worth required for a tender document</td>
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<td>Certificate for value of fixed assets in a particular location required by a regulatory agency to process tax incentives</td>
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<td></td>
<td></td>
<td>Certificate of service tax refund or VAT refund</td>
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</table>

Sometimes, the applicable law and regulation or a contractual arrangement that an entity might have entered into, prescribe the wording of report or certificates. The wording often requires the use of word or phrase like “certify” or “true and correct” to indicate absolute level of assurance expected to be provided by the practitioner on the subject matter. Absolute assurance indicates that a practitioner has performed procedures as considered appropriate to reduce the engagement risk to zero.

A practitioner is expected to provide either a reasonable assurance (about whether the subject matter of examination is materially misstated) or a limited assurance (stating that nothing has come to the practitioner’s attention that causes the practitioner to believe that the subject matter is materially misstated) since it is difficult to reduce engagement risk to zero due to inherent limitations of the audit like nature of evidence, internal control, professional judgement, time etc.
The inherent limitations could arise from:

(a) the nature of financial reporting;
(b) the use of selective testing;
(c) the inherent limitations of internal controls;
(d) the fact that much of the evidence available to the practitioner is persuasive rather than conclusive;
(e) the nature of procedures to be performed in a specific situation;
(f) the use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence;
(g) in some cases, the characteristics of the underlying subject matter when evaluated or measured against the criteria; and
(h) the need for the engagement to be conducted within a reasonable period of time and at a reasonable cost.

Therefore, whenever a practitioner is required to give a “certificate” or a “report” for special purpose, the practitioner needs to undertake a careful evaluation of the scope of the engagement, i.e., whether the practitioner would be able to provide reasonable assurance or limited assurance on the subject matter.

2.1 Reasonable Assurance and Limited Assurance:

<table>
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<tr>
<th>Reasonable assurance and limited assurance</th>
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<tr>
<td>• Reasonable assurance is the reduction in assurance engagement risk to an acceptably low level in <strong>circumstances of engagement</strong> as a basis of a positive form of expression of practitioners conclusion</td>
</tr>
<tr>
<td>• Limited assurance is the reduction of assurance engagement risks to a level that is acceptable in the <strong>circumstances of the engagement</strong>, but where that risk is greater than for a reasonable assurance engagement, as a basis of a negative form</td>
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The key differences between limited assurance and reasonable engagement as stated below :

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<thead>
<tr>
<th>Limited Assurance</th>
<th>Reasonable Assurance</th>
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<tr>
<td>1 The practitioner should designing and perform procedures to address the subject matter and to obtain limited assurance to support and to obtain limited assurance to support the practitioner's conclusion.</td>
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In obtaining an understanding of the underlying subject matter and other engagement circumstances, the practitioner should consider the process used to prepare the subject matter information.

### 3. Based on the practitioner’s understanding, the practitioner should:

| (a) | Identify areas where a material misstatement of the subject matter information is likely to arise; |
| (b) | Design and perform procedures to address the areas and to obtain limited assurance to support the practitioner’s conclusion. |

Based on the practitioner’s understanding, the practitioner should:

| (a) | Identify and assess the risks of material misstatement in the subject matter information; and |
| (b) | Design and perform procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner’s opinion. In addition to any other procedures on the subject matter information that are appropriate in the engagement circumstances, the practitioner’s procedures would include obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the subject matter information when: |
| (i) | The practitioner’s assessment of the risks of material misstatement includes an expectation that controls are operating effectively, or |
| (ii) | Procedures other than testing of controls cannot alone provide sufficient appropriate evidence. |

### 2.2 Procedures required to be performed by practitioner as laid down in Guidance note:

A practitioner who performs assurance engagements covered under this Guidance Note is governed by the ethical and quality control requirements.

**Ethical and Quality Control Requirements:** A practitioner who performs assurance engagements covered under the Guidance Note is governed by the same ethical and quality control requirements as prescribed for Assurance Engagements.

**Engagement Acceptance and Continuance:** The practitioner should accept or continue an assurance engagement only when:
7.8 ADVANCED AUDITING AND PROFESSIONAL ETHICS

(a) The practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied;

(b) The practitioner is satisfied that those persons who are to perform the engagement collectively (the engagement team) have the appropriate competence, skills and capabilities. Practically, there could be lot of situations where a practitioner may be asked to certify certain aspects, that are technical in nature and are beyond the accounting knowledge, example could be certifying the input and output ratio of a particular machine/ process. In all such situations, the practitioner should be candid and should expressly mention in his report that the matter being technical in nature and being beyond his expertise could not be audited and has been reported by him by relying on management’s expert’s representation/ confirmation say that of an engineer or based on data available in public domain/ manufacturer’s brochure laying down the machinery’s technical specifications and capabilities.

(c) The basis upon which the engagement is to be performed has been agreed, through:
   i. Establishing that the preconditions for an assurance engagement are present; and
   ii. Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner’s reporting responsibilities (draft form of the report).

The practitioner firstly needs to be satisfied that whether it is appropriate to accept or continue with client relationships and assurance engagements and conclusions reached in this regard are appropriate.

2.3 Preconditions for the Assurance Engagement: In order to establish whether the preconditions for an assurance engagement are present, the practitioner should, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate parties, determine whether:

(a) The roles and responsibilities of the appropriate parties are suitable in the circumstances; and
(b) The engagement exhibits all of the following characteristics:
   (i) The underlying subject matter is appropriate;
   (ii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances, including that these exhibit the following characteristics:
       a. Relevance
       b. Completeness
       c. Reliability
       d. Neutrality
       e. Understandability
   (iii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information will be available to the intended users.
(iv) The practitioner expects to be able to obtain the evidence needed to support the member’s conclusion;
(v) The practitioner’s opinion/conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and
(vi) A rational purpose including, in the case of a limited assurance engagement that the practitioner expects to be able to obtain a meaningful level of assurance.

If the **preconditions** for an assurance engagement are not present, the practitioner should discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the practitioner would be well advised not to accept the engagement as an assurance engagement, unless required by law or regulation to do so.

**2.4 Limitation on the Scope Prior to Acceptance of the Engagement:** In case of limitation on the scope of the practitioner’s work in the terms of a proposed assurance engagement which could potentially lead to disclaiming an opinion / a conclusion on the subject matter information, the practitioner should not accept such an engagement as an assurance engagement, unless required by law or regulation to do so.

**2.5 Agreeing on the terms of Engagement:** The practitioner should agree the terms of the engagement with the engaging party by execution an engagement letter where in the scope of the services, responsibility framework for each party, subject matter and criterion based on which work needs to carry out, fact that the engagement cannot be relied upon to disclose errors, illegal acts etc., form of report etc. needs to be covered.

**2.6 Professional Skepticism, Professional Judgement, and Assurance Skills and Techniques:** The practitioner would need to plan and perform an engagement with professional skepticism, recognizing that circumstances may exist that may cause the subject matter information to be materially misstated.

*Given below figure is showing meaning and example of attitude of Professional Skepticism:*

<table>
<thead>
<tr>
<th>Professional Skepticism</th>
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<tbody>
<tr>
<td>• The practitioner plans and performs an assurance engagement with an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter information to be materially misstated.</td>
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<tr>
<td>• An attitude of professional skepticism means the practitioner makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party.</td>
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<td>• For example, an attitude of professional skepticism is necessary throughout the engagement process for the practitioner to reduce the risk of overlooking suspicious circumstances, of over generalizing when drawing conclusions from observations, and of using faulty assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.</td>
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The practitioner needs to exercise professional judgment in planning and performing an assurance engagement, including determining the nature, timing and extent of procedures.

In certifying service tax refund, practitioner needs to be check how many samples is a matter of judgement.

The practitioner should also apply assurance skills and techniques as part of an iterative, systematic engagement process.

2.6.1 Planning: The practitioner should plan the engagement so that it will be performed in an effective manner, including setting the scope, timing and direction of the engagement, and determining the nature, timing and extent of planned procedures that are required to be carried out in order to achieve the objective of the engagement.

If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner should discuss the matter with the appropriate party(ies), and determine:

(a) Whether the matter can be resolved to the practitioner’s satisfaction;
(b) Whether it is appropriate to continue with the engagement; and
(c) Whether and, if so, how to communicate the matter in the assurance report.

If it is discovered after the engagement has been accepted that some or all of the applicable criteria are unsuitable or some or all of the underlying subject matter is not appropriate for an assurance engagement, the practitioner would need to consider withdrawing from the engagement, if withdrawal is possible under applicable law or regulation. If the practitioner continues with the engagement, the practitioner should express a qualified or adverse opinion/conclusion, or disclaimer of opinion/conclusion, as appropriate in the circumstances.

2.6.2 Materiality:

<table>
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<th>The practitioner is required to consider materiality when:</th>
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<tr>
<td>(a) Planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures; and</td>
</tr>
<tr>
<td>(b) Evaluating whether the subject matter information is free from material misstatement.</td>
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Materiality is considered in the context of qualitative factors and quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner’s professional judgment.

Examples of qualitative and quantitative factors of Materiality are given in below image:
Materiality is linked to the information covered by the assurance report. Therefore, when the engagement covers some, but not all, aspects of the information communicated about an underlying subject matter, materiality is considered in relation to only that portion that is covered by the engagement.

Concluding on the materiality of the misstatements identified as a result of the procedures performed requires professional judgment. For example, in a compliance engagement, the entity may have complied with nine provisions of the relevant law or regulation, but did not comply with one provision. Professional judgment is needed to conclude whether the entity complied with the relevant law or regulation as a whole. For example, the practitioner may consider the significance of the provision with which the entity did not comply, as well as the relationship of that provision to the remaining provisions of the relevant law or regulation.

2.7 Understanding the Underlying Subject Matter and Other Engagement Circumstances: The practitioner should make inquiries of the appropriate party(ies) regarding:

(a) Whether they have knowledge of any actual, suspected or alleged intentional misstatement or non-compliance with laws and regulations affecting the subject matter information;

(b) Whether the responsible party has an internal audit function and, if so, make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter information; and

(c) Whether the responsible party has used any experts in the preparation of the subject matter information.
1. **Work Performed by a Practitioner’s Expert**: When the work of a practitioner’s expert is to be used, the practitioner should also:

   (a) Evaluate whether the practitioner’s expert has the necessary competence, capabilities and objectivity for the practitioner’s purposes. In the case of a practitioner’s external expert, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to that expert’s objectivity;

   (b) Obtain a sufficient understanding of the field of expertise of the practitioner’s expert;

   (c) Agree with the practitioner’s expert on the nature, scope and objectives of that expert’s work; and

   (d) Evaluate the adequacy of the practitioner’s expert’s work for the practitioner’s purposes.

2. **Work Performed by Another Practitioner**: When the work of another practitioner is to be used, the practitioner should evaluate whether that work is adequate for the practitioner’s purposes.

3. **Work Performed by Responsible Party’s or Measurer’s or Evaluator’s Expert**: If information to be used as evidence has been prepared using the work of a responsible party’s or a measurer’s or evaluator’s expert, the practitioner should, to the extent necessary having regard to the significance of that expert’s work for the practitioner’s purposes.

4. **Work Performed by an Internal Auditor**: If the practitioner plans to use the work of the internal audit function, the practitioner should evaluate the following:
(a) The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors;
(b) The level of competence of the internal audit function;
(c) Whether the internal audit function applies a systematic and disciplined approach, including quality control; and
(d) Whether the work of the internal audit function is adequate for the purposes of the engagement.

The practitioner should accumulate uncorrected misstatements identified during the engagement other than those that are clearly trivial and determine the effect of the misstatement on the assurance report.

5. **Written Representation:** The practitioner should obtain written representation from the responsible party covering the following matters:-

- Confirm the completeness of the information,
- Confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter
- Consider whether those making the representations can be expected to be well-informed on the particular matters.
- The date of the written representations should be as near as practicable to, but not after, the date of the assurance report.

If one or more of the requested written representations are not provided or it is concluded that the representations are not reliable, the practitioner should:-

- Discuss the matter with appropriate party
- Take appropriate actions, including determining the possible effect on the conclusion in the assurance report.

6. **Subsequent Event:** When relevant to the engagement, the practitioner should consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report and should respond appropriately to the facts that became known to the practitioner and its impact on the report.

7. **Other Information:** When documents containing the subject matter information and the assurance report thereon include other information, the practitioner should read that other information to identify material inconsistencies, if any, with the subject matter information or the assurance report.

The practitioner would need to evaluate whether the subject matter information adequately refers to or describes the applicable criteria.
2.8 Forming the Assurance Opinion/Conclusion: After performing all necessary work, the practitioner should work writing the assurance report. For that the practitioner should evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary in the circumstances, attempt to obtain further evidence. The practitioner should consider all relevant evidence, regardless of whether it appears to corroborate or to contradict the measurement or evaluation of the underlying subject matter against the applicable criteria. If the practitioner is unable to obtain necessary further evidence, the practitioner should consider the implications for the practitioner’s opinion/conclusion.

The practitioner should form an opinion/conclusion about whether the subject matter information is free of material misstatement. In forming that opinion/conclusion, the practitioner should consider the sufficiency and appropriateness of evidence obtained and an evaluation of whether uncorrected misstatements are material, individually or in the aggregate.

Evidence is necessary to support the practitioner’s opinion/conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources, such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or the quality control procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by an expert employed or engaged by the appropriate party(ies). Evidence comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, refusal by the appropriate party(ies) to provide a requested representation) is used by the practitioner, and therefore, also constitutes evidence. Most of the practitioner’s work in forming the assurance opinion/conclusion consists of obtaining and evaluating evidence.

If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner should express a qualified opinion/conclusion or disclaim an opinion/conclusion, or withdraw from the engagement, where withdrawal is possible under applicable law or regulation, as appropriate.

Preparing the Assurance Report: The assurance report should be in writing and should contain a clear expression of the practitioner’s opinion/conclusion about the subject matter information. Where the subject matter information is made up of a number of aspects, separate opinions/conclusions may be provided on each aspect. All such separate opinions/conclusions do not need to relate to the same level of assurance. Rather, each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement.

The practitioner’s opinion/conclusion should be clearly separated from information or explanations that are not intended to affect the practitioner’s opinion/conclusion, including any
Emphasis of Matter, Other Matter, and findings related to particular aspects of the engagements, recommendations or additional information included in the assurance report. The wording used should make it clear that an Emphasis of Matter, Other Matter, findings, recommendations or additional information is not intended to detract from the practitioner’s opinion/conclusion.

Oral and other forms of expressing conclusions can be misunderstood without the support of a written report. For this reason, the practitioner shall not report orally without providing a written assurance report.

2.9 Assurance Report Content: The assurance report should include at a minimum, the following basic elements:

(a) A title that clearly indicates the report is an independent assurance report. An appropriate title helps to identify the nature of the assurance report, and to distinguish it from reports issued by others, such as those who do not have to comply with the same ethical requirements as the practitioner.

(b) An addressee. An addressee identifies the party or parties to whom the assurance report is directed. The assurance report is ordinarily addressed to the engaging party, but in some cases there may be other intended users like government agencies, bankers etc..

(c) An identification or description of the level of assurance obtained by the practitioner, the subject matter information and, when appropriate, the underlying subject matter.

Identification and description of the subject matter information and, when appropriate, the underlying subject matter may include, for example:

- The point in time or period of time to which the measurement or evaluation of the underlying subject matter relates.
- Where applicable, the name of the responsible party or component of the responsible party to which the underlying subject matter relates.
- An explanation of those characteristics of the underlying subject matter or the subject matter information of which the intended users should be aware, and how such characteristics may influence the precision of the measurement or evaluation of the underlying subject matter against the applicable criteria, or the persuasiveness of available evidence. For example:
  - The degree to which the subject matter information is qualitative versus quantitative, objective versus subjective, or historical versus prospective.
  - Changes in the underlying subject matter or other engagement circumstances that affect the comparability of the subject matter information from one period to the next.

(d) Identification of the applicable criteria. The assurance report identifies the applicable criteria against which the underlying subject matter was measured or evaluated so that the intended users can understand the basis for the practitioner’s opinion/conclusion. The assurance report
may include the applicable criteria, or refer to them if they are included in the subject matter information or if they are otherwise available from a readily accessible source. It may be relevant in the circumstances, to disclose:

- The source of the applicable criteria, and whether or not the applicable criteria are embodied in law or regulation, or issued by authorized or recognized bodies of experts that follow a transparent due process, that is, whether they are established criteria in the context of the underlying subject matter (and if they are not, a description of why they are considered suitable).
- Measurement or evaluation methods used when the applicable criteria allows for choice between a number of methods.
- Any significant interpretations made in applying the applicable criteria in the engagement circumstances.
- Whether there have been any changes in the measurement or evaluation methods used.

(e) Where appropriate, a description of any significant inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria.

While in some cases, inherent limitations can be expected to be well-understood by the intended users of an assurance report, in other cases, it may be appropriate to make explicit reference to them in the assurance report. For example, in an assurance report related to the effectiveness of internal control, it may be appropriate to note that the historic evaluation of effectiveness is not relevant to future periods due to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

(f) When the applicable criteria are designed for a specific purpose, a statement alerting readers to this fact and that, as a result, the subject matter information may not be suitable for another purpose. In some cases, the applicable criteria used to measure or evaluate the underlying subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular applicable criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts readers of the assurance report to this fact and that therefore, the subject matter information may not be suitable for another purpose.

In addition to the alert as required in the preceding paragraph, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users.

(g) A statement to identify the responsible party and the measurer or evaluator if different, and to describe their responsibilities and the practitioner’s responsibilities. Identifying relative responsibilities informs the intended users that the responsible party is responsible for the underlying subject matter, that the measurer or evaluator is responsible for the measurement or evaluation of the underlying subject matter against the applicable criteria, and that the Practitioner’s role is to independently express an opinion/conclusion about the subject matter information.

(h) A statement that the engagement was performed in accordance with the Guidance Note.
(i) A statement that the firm, of which the practitioner is a partner has applied SQC 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

(j) A statement that the practitioner complies with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. The following is an illustration of a statement in the assurance report regarding compliance with ethical requirements:

> We conducted our engagement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. That Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

(k) An informative summary of the work performed as the basis for the practitioner’s opinion/conclusion. In the case of a limited assurance engagement, the nature, timing, and extent of procedures performed is essential to understanding the practitioner’s opinion/conclusion. In a limited assurance engagement, the summary of the work performed should state that:

(i) The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and

(ii) Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

(l) The practitioner’s opinion/conclusion:

(i) When appropriate, the opinion/conclusion should inform the intended users of the context in which the practitioner’s opinion/conclusion is to be read.

It may be appropriate to inform the intended users of the context in which the practitioner’s opinion/conclusion is to be read when the assurance report includes an explanation of particular characteristics of the underlying subject matter of which the intended users should be aware. The practitioner’s opinion/conclusion may, for example, include wording such as:

> “This opinion/conclusion has been formed on the basis of the matters outlined elsewhere in this independent assurance report.”

(ii) In a reasonable assurance engagement, the opinion is expressed in a positive form.

> Opinion expressed in a form appropriate for a reasonable assurance engagement include:

- When expressed in terms of the underlying subject matter and the applicable criteria,
- “In our opinion, the entity has complied, in all material respects, with XYZ law”;
When expressed in terms of the subject matter information and the applicable criteria, “In our opinion, the Statement of Net Worth is properly prepared, in all material respects, based on XYZ criteria”; or

When expressed in terms of a statement made by the appropriate party, “In our opinion, the [appropriate party’s] statement that the entity has complied with XYZ law is, in all material respects, fairly stated,” or “In our opinion, the [appropriate party’s] statement that the key performance indicators are presented in accordance with XYZ criteria is, in all material respects, fairly stated”.

(iii) In a limited assurance engagement, the conclusion is expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe that the subject matter information is materially misstated.

Conclusions expressed in a form appropriate for a limited assurance engagement include:

- When expressed in terms of the underlying subject matter and the applicable criteria, “Based on the procedures performed an evidence obtained, nothing has come to our attention that causes us to believe that [the entity] has not complied, in all material respects, with XYZ law.”

- When expressed in terms of the subject matter information and the applicable criteria, “Based on the procedures performed and evidence obtained, we are not aware of any material amendments that need to be made to the assessment of key performance indicators for them to be in accordance with XYZ criteria.”; or

- When expressed in terms of a statement made by the appropriate party, “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [appropriate party’s] statement that [the entity] has complied with XYZ law, is not, in all material respects, fairly stated.”

(iv) The opinion/conclusion in (ii) or (iii) should be phrased using appropriate words for the underlying subject matter and applicable criteria given the engagement circumstances and need to be phrased in terms of:

a. The underlying subject matter and the applicable criteria;

b. The subject matter information and the applicable criteria; or

c. A statement made by the appropriate party.

Forms of expression which may be useful for underlying subject matters include, for example, one, or a combination of, the following:

- For compliance engagements- “in compliance with” or “in accordance with.”
• For engagements when the applicable criteria describe a process or methodology for the preparation or presentation of the subject matter information—“properly prepared.”

• For engagement when the principles of fair presentation are embodied in the applicable criteria—“fairly stated.”

(v) When the practitioner expresses a modified opinion/conclusion, the assurance report should contain:
   a. A section that provides a description of the matter(s) giving rise to the modification; and
   b. A section that contains the practitioner’s modified opinion/conclusion.

(m) The practitioner’s signature. The assurance report is signed by the practitioner in his personal name. Where a Firm is appointed to carry out the engagement, the report is signed in the personal name of the practitioner and in the name of the audit firm. The partner/proprietor signing the assurance report also needs to mention the membership number assigned by the ICAI. They also include the registration number of the Firm, wherever applicable, as allotted by ICAI, in the assurance reports signed by them.

(n) The date of the assurance report. The assurance report should be dated no earlier than the date on which the practitioner has obtained the evidence on which the practitioner’s opinion/conclusion is based, including evidence that those with the recognized authority have asserted that they have taken responsibility for the subject matter information.

(o) The place of signature

Unmodified and Modified Opinions/Conclusions: The practitioner should express an unmodified opinion/conclusion when the practitioner concludes:

(a) In the case of a reasonable assurance engagement, that the subject matter information is prepared, in all material respects, in accordance with the applicable criteria; or

(b) In the case of a limited assurance engagement, that based on the procedures performed and evidence obtained, no matter(s) has come to the attention of the practitioner that causes the practitioner to believe that the subject matter information is not prepared, in all material respects, in accordance with the applicable criteria.

If the practitioner considers it necessary to:

(a) Draw intended users’ attention to a matter presented or disclosed in the subject matter information that, in the practitioner’s judgment, is of such importance that it is fundamental to intended users’ understanding of the subject matter information (an Emphasis of Matter paragraph); or Communicate a matter other than those that are presented or disclosed in the subject matter information that, in the practitioner’s judgment, is relevant to intended users’ understanding of the engagement, the practitioner’s responsibilities or the assurance report (an Other Matter paragraph), and this is not prohibited by law or regulation, the practitioner may do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner’s opinion/conclusion is not modified in respect of the matter(s). In the
case of an Emphasis of Matter paragraph, such a paragraph should refer only to the information presented or disclosed in the subject matter information.

The practitioner would need to express a modified opinion/conclusion in the following circumstances:

(a) When, in the practitioner’s professional judgment, a scope limitation exists and the effect of the matter could be material. In such cases, the practitioner should express a qualified opinion/conclusion or a disclaimer of opinion/conclusion.

(b) When, in the practitioner’s professional judgment, the subject matter information is materially misstated. In such cases, the practitioner should express a qualified opinion/conclusion or adverse opinion/conclusion.

Examples of qualified and adverse opinions/conclusions and a disclaimer of opinions/conclusion are:

- Qualified conclusion (an example for limited assurance engagements with a material misstatement) – “Based on the procedures performed and the evidence obtained, except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the [appropriate party’s] statement does not present fairly, in all material respects, the entity’s compliance with XYZ law.”

- Adverse opinion (an example for a material and pervasive misstatement for both reasonable assurance and limited assurance engagements) – “Because of the significance of the matter described in the Basis for Adverse Opinion/Conclusion section of our report, the [appropriate party’s] statement does not present fairly the entity’s compliance with XYZ law.”

- Disclaimer of conclusion (an example for a material and pervasive limitation of scope for both reasonable assurance and limited assurance engagements) – “Because of the significance of the matter described in the Basis for Disclaimer of Opinion/Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to form an opinion/conclusion on the [appropriate party’s] statement. Accordingly, we do not express an opinion/conclusion on that statement.”

The practitioner should express a qualified opinion/conclusion when, in the practitioner's professional judgment, the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse opinion/conclusion or a disclaimer of opinion/conclusion. A qualified opinion/conclusion should be expressed as being “except for” the effects, or possible effects, of the matter to which the qualification relates.

If the practitioner expresses a modified opinion/conclusion because of a scope limitation but is also aware of a matter(s) that causes the subject matter information to be materially misstated, the practitioner should include in the assurance report a clear description of both the scope limitation and the matter(s) that causes the subject matter information to be materially misstated.
When the statement made by the appropriate party has identified and properly described that the subject matter information is materially misstated, the practitioner should either:

(a) Express a qualified opinion/conclusion or adverse opinion/conclusion phrased in terms of the underlying subject matter and the applicable criteria; or

(b) If specifically required by the terms of the engagement to phrase the opinion/conclusion in terms of a statement made by the appropriate party, express an unqualified opinion/conclusion but include an Emphasis of Matter paragraph in the assurance report, referring to the statement made by the appropriate party that identifies and properly describes that the subject matter information is materially misstated. In some cases, the measurer or evaluator may identify and properly describe that the subject matter information is materially misstated. For example, in a compliance engagement the measurer or evaluator may correctly describe the instances of noncompliance. In such circumstances, paragraph 88 requires the practitioner to draw the intended users’ attention to the description of the material misstatement, by either expressing a qualified or adverse opinion/conclusion or by expressing an unqualified opinion/conclusion but emphasizing the matter by specifically referring to it in the assurance report.

2.10 Documentation: The practitioner should prepare on a timely basis engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand:

(a) The nature, timing and extent of the procedures performed to comply with the Guidance Note and applicable legal and regulatory requirements;

(b) The results of the procedures performed, and the evidence obtained; and

(c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

If the practitioner identifies information that is inconsistent with the practitioner’s final opinion/conclusion regarding a significant matter, the practitioner should document how the practitioner addressed the inconsistency.

The practitioner should assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. SQC 1 requires establishment of policies and procedures for the timely completion of the assembly of engagement files. An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.

The completion of the assembly of the final engagement file after the date of the assurance report is an administrative process that does not involve the performance of new procedures or the drawing of new opinion/conclusions. Changes may, however, be made to the documentation during the final assembly process if they are administrative in nature.
Examples of such changes include:

- Deleting or discarding superseded documentation.
- Sorting, collating and cross-referencing working papers.
- Signing off on completion checklists relating to the file assembly process.
- Documenting evidence that the practitioner has obtained, discussed and agreed with the relevant practitioners of the engagement team before the date of the assurance report.

After the assembly of the final engagement file has been completed, the practitioner should not delete or discard engagement documentation of any nature before the end of its retention period. The retention period for assurance engagements ordinarily is no shorter than seven years from the date of assurance report.

If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed the practitioner should, regardless of the nature of the amendments or additions, document:

a) The specific reasons for making the amendments or additions; and

b) When, and by whom, they were made and reviewed.

2.11 Assurance Report Prescribed by Law or Regulation: In case the practitioner is required to issue an assurance report under the applicable laws or regulations, the practitioner should discuss the matter with the engaging party. The practitioner should provide a draft of the assurance report to be issued that duly incorporates the essential elements. Both, the practitioner and the engaging party, should agree on the resulting modifications to the layout or wording prescribed under the laws or regulations. The agreement on layout or wording of the assurance report should be duly documented in the engagement letter.

It may also happen that the concerned authorities reject the aforesaid assurance report issued by the practitioner on account of the modifications made to the prescribed layout or wording. In such circumstances, the practitioner should obtain the evidence of rejection of the assurance report by the concerned authorities and make it a part of the engagement documentation. The practitioner, in such a case, may issue the assurance report in the format prescribed under the law or regulation since the practitioner would have complied with the requirements of this Guidance Note while issuing the certificate in the first instance. The practitioner can also consider enclosing a statement containing essential elements of an assurance report of this Guidance Note to the format prescribed under the law or regulation. The enclosure should also state the fact that a report issued earlier in accordance with this Guidance Note had been rejected by the concerned authorities.

Similarly, the practitioner may conclude, that even where permitted by the law/regulation or it is otherwise accepted by the concerned regulatory bodies to provide additional information/explanation in the assurance report, doing the same will not mitigate the risk of users’ misunderstanding of the assurance conclusion expressed. In such circumstance, the practitioner
should mention the circumstances not allowing the practitioner to bring down the risk of users’ misunderstanding in the report being issued by the practitioner. The practitioner should also include such matters in the scope of work documented in the engagement letter.

The practitioner should prepare on a timely basis engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to support the work carried out.

[Note: Students may refer Guidance Note on Reports or Certificate for Special Purposes for detailed content.]

2.12 Illustrative formats of Reports/ Certificates (issued frequently)

<table>
<thead>
<tr>
<th>Case 1- Practitioner’s report for shareholding and relationship with ultimate holding company, pursuant to a tender requirement</th>
</tr>
</thead>
</table>

1. This Report is issued in accordance with the terms of our engagement agreement dated …………. (specify date).

2. We have been requested by ……………………… (‘the Company’) to certify its shareholding and its relationship with …………… (‘the ultimate parent company’) for the purpose of submission of documents for the tender issued by……………………………………..(Agency name).

Management's responsibility

3. The creation and maintenance of all accounting and other records supporting the Company’s shareholding and its relationship with the ultimate parent company, is solely the responsibility of the Management of the Company. The Company’s management is responsible for the designing, implementing and maintaining internal control relevant to the preparation and presentation of the records related to Company’s shareholding and its relationship, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

4. The Management is also responsible for ensuring that the Company complies with the requirements of the tender and provides all relevant information to ……………………… (Agency name).

Practitioner's responsibility

5. Pursuant to the requirements of the tender document, it is our responsibility to provide a reasonable assurance of Company’s shareholding and its relationship with its ultimate holding company.

6. We conducted our examination of Company’s shareholding and its relationship with its ultimate holding company in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

8. We have performed the following procedures for verifying the Company’s shareholding and its relationship with its ultimate holding company:
   a. Traced the shareholding of the Company to the certified copy of Register of Members of the Company as at ………. (specified date), as provided to us by the management of the Company on ………… (specify the date) noting that ……………….. (specify the holding company), holds 100% shareholding in the Company;
   b. Traced the shareholding of …………………… (specify the holding company) to the certified copy of Register of Members of the Company as at…………….. (specified date), as provided to us by the management of ……………… (specify the holding company) on ……… (specified date) noting that …………………… (specify the ultimate holding company) holds ………% shareholding in ………………………….(specify the holding company);
   c. Obtained representation from the management of …………………… (specify the holding company) that the shareholding of …………………… (specify the ultimate holding company) of ………% in …………………… (specify the company name) has not changed between ……… (specified date) and the date of this certificate.
   d. Obtained representation from the management of the Company that the shareholding of …………………… (specify the holding company), of ……. % in the Company has not changed between ……… (specified date) and the date of this certificate.

Opinion

9. Based on the procedures performed and our examination, as mentioned above, and the information and explanations given to us, we confirm that:
   a. …………………… (specify the holding company name), is the Parent company and holds ………% shareholding in ………………………… (specify the company name;)
   b. …………………… (specify the ultimate holding company name) is Company’s Ultimate Parent company.

Restriction on Use

10. This Certificate is addressed to and provided to the Board of Directors of the Company solely for the purpose of submission of documents for the tender with …………… (agency name), for the proposed ……………………………. (Project details) and is not to be used, referred to or distributed for any other purpose without our prior written consent. We do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this Certificate is shown or into whose hands it may come without our prior consent in writing.
11. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.

For XYZ
Chartered Accountants
ICAI Firm Registration Number: XXXX

ABC
Partner
Membership No. XXXXXX
Place: XXXXX, India
Date: XXXXXX

Case 2- Practitioner’s report regarding payment of statutory dues, pursuant to request by lenders

Report on payment of statutory dues

1. The accompanying statement of deposit of dues under Employees Provident Funds and Miscellaneous Provisions Act, 1952, Income tax Act, 1961 and Finance Act, 1994 (together known as “statutory dues”) outstanding as at March 31, 2016 and dues pertaining to the period ............to...................has been prepared and approved by the management of .........................(‘the Company’) for submission with its lenders- .................................(specify the lenders), in relation to the borrowings of ₹ ..............million (Indian Rupee......................).

Management’s responsibility

2. The accompanying Statement, including the creation and maintenance of all accounting and other records supporting their contents, is solely the responsibility of the Management of the Company. The Company’s Management is responsible for the designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

3. The Company’s Management is also responsible for ensuring that the Company complies with the requirements of the loan agreement dated .................. and for furnishing all relevant information to the lenders.

Auditor’s responsibility

4. It is our responsibility to obtain limited assurance and form a conclusion as to whether the Statement is in agreement with the audited financial statements for the year ended March 31, ............ and unaudited trial balance of the Company for the period ............ to ................. and bank book as extracted from the unaudited books of account of the Company, underlying
challans and respective ledger accounts forming part of unaudited books of accounts maintained by the Company for the period ............... to ............ and ...............(specify the bank name) bank statement for the period ............... to ............... The procedures performed vary in nature and timing from, and are less extent than for, a reasonable assurance and consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

5. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. We have performed the following procedures for verifying the deposit of statutory dues:
   
   e. Traced and agreed the outstanding liability of statutory dues as at March 31, XXXX in the Statement to Note ........... of the audited financial statements of the Company for the year ended March 31, ............

   f. Traced and agreed the deposit of statutory dues outstanding as on March 31, ........, as stated in the Statement to the challans/bank statement of ............... Bank account no. ............... and the relevant ledger account forming part of the books of account maintained by the company.

   g. Traced and agreed the statutory dues pertaining to the period ............... to ............... and outstanding as at ............... as accounted for by the Company and stated in the Statement to the unaudited trial balance of the Company for the period ............... to ............... and also, to the respective ledger accounts relating to Provident Fund, Income tax and Service tax, forming part of the unaudited books of account of the Company for the period then ended.

   h. Traced the deposit of statutory dues pertaining to the period ... .... to ...... in the Statement to the deposit challans/bank statement of ...... Bank bearing account no. ............... and respective ledger accounts relating to Provident Fund, Income tax and Service tax, forming part of the unaudited books of account of the Company for the period then ended.

Opinion

8. Based on the procedures performed and our examination, as above, and the information and explanations given to us, nothing has come to our attention that causes us to believe that the information given in the Statement in respect of deposit of statutory dues outstanding as at March 31, ........... and for the period ............... to ............... and outstanding as at ............... is not in agreement with the audited financial statements of the Company for the period then ended.
year ended March 31, .......... and the unaudited books of account and other records of the Company as mentioned above and produced to us for our examination.

Restriction on Use

9. The Certificate is addressed to and provided to the Board of Directors of the Company solely for the purpose of furnishing to the lenders of the Company and we hereby give consent to the extracts of this Certificate being used by the Company in connection with the borrowings. We do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this Certificate is shown or into whose hands it may come without our prior consent in writing.

10. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.

Case 3- Practitioner’s report regarding borrowing limits, pursuant to request by lenders

Report on borrowing limits of ......................... (the “Company”)

1. We have been requested by ....................... (‘the Company’), to certify the borrowing limits of the Company in accordance with the provisions contained in section 179(3)(d) of the Companies Act 2013”, as on the date of execution of facility agreement dated ............... This certificate is required to enable the Company to submit to its lenders- ........................., in relation to the borrowings of ₹ ............... million (Indian Rupee ............... million).

Management’s Responsibility

2. The requirement to comply with Section 179(3)(d) and other provisions of the Companies Act, 2013 is of the management of the Company. This responsibility includes designing, implementing and maintaining internal control relevant to the requirement to comply with the provisions of Companies Act, 2013 and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Auditor’s Responsibility

3. We conducted our examination in accordance with the Guidance Note on Audit Reports or Certificates for Special Purposes (Revised) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

4. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

5. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the reporting criteria. Accordingly, we have performed the following procedures:
a.Verified the certified copy of resolution passed by the Board of directors in their meeting held on ……………….. to borrow ₹ ……… million from ……………………. (specify the lenders);
b. Verified that the facility agreement dated …………., entered into by the Company with the lenders, has been executed by the Company’s representatives authorised by a resolution passed by the Board of Directors in their meeting held on ………………..

6. Our scope of work did not involve us performing any audit tests in the context of our examination. We have not performed an audit, the objective of which would be to express an opinion on the specified elements, accounts or items thereof, for the purpose of this Certificate. Accordingly, we do not express such opinion.

7. Based on our examination as above, nothing has come to our attention that causes us to believe that the borrowing of ₹ …………… million from …………………. (specify the lenders) is not in accordance with the board resolution dated ………………..

Restriction on Use

8. The Certificate is addressed to and provided to the Board of Directors of the Company solely for the purpose of furnishing to the lenders of the Company and we hereby give consent to the extracts of this Certificate being used by the Company in connection with the borrowings. We do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this Certificate is shown or into whose hands it may come without our prior consent in writing.

3. SA 800: SPECIAL CONSIDERATIONS - AUDITS OF FINANCIAL STATEMENTS-PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORK

While the Standards on Auditing (SAs) in the 100-700 series apply to an audit of financial statements, SA 800 deals with special considerations in the application of those Standards of Auditing to an audit of financial statements prepared in accordance with a special purpose framework. Special purpose framework is a financial reporting framework designed to meet the financial information needs of specific users.

3.1 Objective: The key objectives of SA 800 is to address the following considerations:

(a) The acceptance of the engagement;
(b) The planning and performance of that engagement; and
(c) Forming an opinion and reporting on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
Important Definitions:

| **Special purpose financial statements** – Financial statements prepared in accordance with a special purpose framework. |
| **Special purpose framework** – A financial reporting framework designed to meet the financial information needs of specific users. |

3.2 Procedures Required to be Performed as per SA 800: SA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements. In an audit of special purpose financial statements, the auditor shall obtain an understanding of:

(a) The purpose for which the financial statements are prepared;
(b) The intended users; and
(c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

3.3 Considerations When Planning and Performing the Audit: As per SA 200 overall objectives of the Independent Auditor and the conduct of an Audit in Accordance with Standards on Auditing the auditor is required to comply with the following:

- Relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements and
- All SAs relevant to the audit.

In planning and performing an audit of special purpose financial statements, the auditor shall determine whether application of the SAs requires special Consideration in the circumstances of the engagement.

In the case of financial statements prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of those financial statements to comply with SA 315. This is
significant as adoption of different interpretations might produce a material difference in the information presented in the financial statements.

3.4 Forming an Opinion and Reporting Considerations: When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in SA 700 (Revised) - Forming an Opinion and Reporting on Financial Statements.

3.5 Description of the Applicable Financial Reporting Framework: The form and content of the auditor’s report is dealt by SA 700 (Revised). In the case of an auditor’s report on special purpose financial statements:

- The auditor’s report on special purpose financial statements shall under a proper heading, include an Emphasis of Matter paragraph alerting users of the auditor’s report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose.

- In cases where the auditor considers it appropriate to indicate that the auditor’s report is solely intended for the specific users, the same can be achieved by restricting the distribution or use of the auditor’s report.

3.6 Illustrations of Auditors’ Reports on Special Purpose Financial Statements

Illustration 1: An auditor’s report on a complete set of financial statements prepared in accordance with the scheme of arrangement approved by High Court (for purposes of this illustration, a compliance framework).

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying special purpose financial statements of ABC Company Ltd. [merged with XYZ Limited effective January 01, 201X pursuant to scheme of Arrangement (Scheme) approved by Honorable High Court of Mumbai], which comprise the special purpose balance sheet as at May 31, 201X (i.e. the date prior to filing of scheme with Registrar of Companies), the special purpose statement of profit and loss, and the special purpose cash flow statement for the year then
ended, and a summary of significant accounting policies and other explanatory information. These special purpose financial statements have been prepared by management of XYZ Limited as per the basis of preparation referred in Note XX to these special purpose financial statements solely for the purpose of submission with tax and regulatory authorities to fulfil various statutory compliances.

Management’s Responsibility for the Special Purpose Financial Statements

The Management of XYZ Limited is responsible for the preparation of these special purpose financial statements in accordance with the basis of preparation referred in Note XX to these special purpose financial statements. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the information and explanations given to us, the accompanying special purpose financial statements of ABC Company Ltd. have been prepared, in all material respects, in accordance with the basis of preparation referred in Note XX to these special purpose financial statements.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the special purpose financial statements, which describes the basis of accounting. These special purpose financial statements
have been prepared by the management of XYZ Limited, and this report thereon has been issued solely for the purpose of submission with tax and regulatory authorities to fulfil various statutory compliances. Accordingly, this report should not be used, referred or distributed for any other purpose without our prior written consent.

**Note X in the Special Purpose Financial Statements**

**Basis of preparation**

These special purpose financial statements include ABC Company Ltd.’s special purpose balance sheet as at May 31, 201X (i.e. the date prior to filing of "Scheme" with ROC), special purpose statement of profit and loss and special purpose statement of cash flow for the period then ended and are prepared in accordance with accounting policies as discussed in paragraph XX below.

These special purpose financial statements have been prepared by the management of XYZ Limited (erstwhile shareholder of the Company) solely for the purpose of submission with tax and regulatory authorities to fulfil various statutory compliances.

The Company is not a going concern. However, having regard to the Scheme, management is of the opinion that no adjustments are required to the carrying value/classification of assets and liabilities.

These special purpose financial statements do not consider the impact of any event subsequent to May 31, 201X.

These special purpose financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). These special purpose financial statements have been prepared under the historical cost convention and on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

These special purpose financial statements are presented in Indian Rupees ('Rupees' or 'Rs') and all amounts are rounded to the nearest thousands, except as stated otherwise.

**Illustration 2: An auditor's report on Special purpose financial statements, Consolidation package and other deliverables as per the referral instructions (for purposes of this illustration, a fair presentation framework).**

**INDEPENDENT AUDITOR’S REPORT**

We have audited the accompanying (a) special purpose financial statements of ABC LLC ("the Company"), which comprise the Balance Sheet as at March 31, 201X, the Statement of Profit and Loss and the Cash Flow Statement for the period June 14, 201X to March 31, 201X, and a summary of the significant accounting policies and other explanatory information; and (b) Consolidation Package, including all the appendices and other deliverables as listed in the referral instructions (GRI) (referred to as the "Reporting Package"). The special purpose financial statements and Reporting Package have been prepared by the Management of the Company based on the Group Referral
Instructions (GRI) dated March 28, 201X issued by the Management of XYZ Limited (XYZ) ("Parent Company").

Management’s Responsibility for the Special purpose Financial Statements and Consolidation package

1) The Company's Board of Directors is responsible for the preparation of these special purpose financial statements and the Reporting Package that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Companies Act, 2013 ("the Act"), as applicable and the accounting policies as mentioned in the GRI and in accordance with the format of special purpose financial statements and the Reporting Package as given in the GRI and Consolidation System.

2) This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; application of appropriate accounting policies as mentioned in GRI; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements and the Reporting Package that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

1) Our responsibility is to express an opinion on these special purpose financial statements and the reporting package based on our audit.

2) We have taken into account the accounting and auditing standards and matters which are required to be included in the audit report as per the format given by the parent company's auditor.

3) We conducted our audit of the special purpose financial statements and the Reporting Package in accordance with the GRI issued by XYZ, Referral Instructions issued by Ram Shyam & Co., parent company auditors and in accordance with the Standards on Auditing specified under Section 143(10) of the Act and in accordance with the materiality of ₹50 lakhs. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and Reporting Package are free from material misstatement.

4) An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements and reporting package. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and reporting package, whether due to fraud or error. In making those
risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements and reporting package that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements and reporting package.

5) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose financial statements and reporting package.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose financial statements and the reporting package give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India and GRI, of the state of affairs of the Company as at March 31, 201X, and its loss and its cash flows for the period ended on that date.

Restriction on Distribution and Use

The special purpose financial statements, reporting package and our report is intended solely for the Company, the Parent Company and the auditors of the Parent Company for their consideration into the audit of Consolidated Financial Statements and should not be distributed to or used by parties other than the Company, the Parent Company and the auditors of the Parent Company.

Other Matters

1. We also report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   c) In our opinion, the aforesaid special purpose financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable;

   d) With respect to the other matters to be included in the Auditor's Report, in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company does not have any pending litigations which would impact its financial position.

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

Our opinion is not modified in respect of these matters.
4. **SA 805: SPECIAL CONSIDERATIONS-AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF FINANCIAL STATEMENTS**

The audit a specific elements, account or item of a financial statement is governed by SA 805 - Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. The single financial statement or the specific element may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, SA 800 also applies on the audit. However, this SA does not apply to the report of a component auditor, issued as a result of the work performed on the financial information of a component at the request of a group engagement team for purposes of a group financial statements.
A cash flow statement is an example of a single financial statement and cash and bank balances is an example of a specific element of a financial statement.

4.1 Objective: As per SA 805, the auditor is required to address the following considerations: -

(a) The acceptance of the engagement;
(b) The planning and performance of that engagement; and
(c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement but not the purpose of expressing an opinion on the effectiveness of the entity's internal control.

4.2 Planning the Engagement

Considerations when Accepting the Engagement:

As per SA200, an auditor is required to comply with all the SAs relevant to the audit, irrespective of whether the auditor is also engaged to audit the entity’s complete set of financial statements. However, the auditor should assess the practicability of the audit of single financial statement or of a specific element of those financial statements in accordance with SAs, if the auditor is not engaged to audit the entity’s complete set of financial statements.

As per SA 210 - Agreeing the Terms of Audit Engagements, an auditor is required to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements. This shall include determining whether application of the financial reporting framework will result in a presentation that provides adequate disclosure to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the elements.

SA 210 also requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor. The auditor should consider whether the expected form of opinion is appropriate in the circumstances.

4.3 Considerations When Planning and Performing the Audit: As per SA 200 - Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing the auditor is required to comply with the following:

(i) Relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements and

(ii) All SAs relevant to the audit.

In planning and performing an audit of special purpose financial statements, the auditor shall determine whether application of the SAs requires special Consideration in the circumstances of the engagement.
4.4 Forming an Opinion and Reporting Considerations

When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in SA 700 (Revised) - Forming an Opinion and Reporting on Financial Statements, adopted as necessary in the circumstances of the engagement. Illustrations of the auditor’s report on special purpose financing is given in para 4.5.

The auditor shall express a separate opinion for each engagement, if the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity’s complete set of financial statements.

The opinion on, and audited single financial statements or the specific element of a financial statement can be published together with the opinion on, and entity’s audited complete set of financial statements if the auditor is satisfied that the same has been differentiated appropriately.

Modified Opinion, Emphasis of Matter, or Other Matter Paragraph in the Auditor’s Report on the Entity’s Complete Set of Financial Statements: If the opinion in the auditor’s report on an entity’s complete set of financial statements is modified, or includes an Emphasis of Matter paragraph or an Other Matter paragraph, the auditor shall determine the effect that this may have on the auditor’s report on a single financial statement or on a specific element of those financial statements. The auditor shall modify the opinion on the single financial statement or on the specific element of a financial statement, or include an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor’s report, as deemed appropriate.

If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity’s complete set of financial statements as a whole, SA 705 does not permit the auditor to include in the same auditor’s report an unmodified opinion on a single financial statement that forms part of those financial statements or on a specific element that forms part of those financial statements. This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity’s complete set of financial statements as a whole.

If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity’s complete set of financial statements as a whole but, in the context of a separate audit of a specific element that is included in those financial statements, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:

(a) The auditor is not prohibited by law or regulation from doing so;

(b) That opinion is expressed in an auditor’s report that is not published together with the auditor’s report containing the adverse opinion or disclaimer of opinion; and
(c) The specific element does not constitute a major portion of the entity’s complete set of financial statements.

The auditor shall not express an unmodified opinion on a single financial statement of a complete set of financial statements if the auditor has expressed an adverse opinion or is claimed an opinion on the complete set of financial statements as a whole. This is the case even if the auditor’s report on the single financial statement is not published together with the auditor’s report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of those financial statements.

Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private pension plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private pension plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

4.5 Illustrations of Auditors’ Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

Illustration 1: Circumstances include the following:

- Audit of a balance sheet (i.e., a single financial statement).
- The balance sheet has been prepared by management of the entity in accordance with the requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”) relevant to preparing a balance sheet.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in SA 210.
- The auditor has determined that it is appropriate to use the phrase “presents a true and fair view”, in the auditor's opinion.
Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"), notified under the Companies Act, 1956 read with general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 ("the Act"), relevant to preparing such a financial statement. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents a true and fair view of the state of affairs of ABC Company Ltd. as at March 31, 20X1 in accordance with the Companies Act, 1956 read with general circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 ("the Act"), relevant to preparing such a financial statement.
5. SA 810 - ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

There can be cases wherein an auditor undertakes an engagement to report on the summary financial statements derived from financial statements audited in accordance with the SAs by the same auditor.

SA 810 - Engagement to Report on Summary Financial Statements governs the auditor’s responsibilities while undertaking such engagements.

**Summary financial statements can be defined as historical financial information that is derived from financial statements but that contains less detail than the financial statements.**

5.1 **Objective:** The auditor is required to perform the following :-

(a) Determine whether it is appropriate to accept the engagement to report on summary financial statements;

(b) Form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and

(c) Express clearly that opinion through a written report that also describes the basis for that opinion.

5.2 **Engagement Acceptance and Other Planning Activities:** The auditor shall ordinarily accept an engagement to report on summary financial statements only when the audit has engagement to conduct the audit in accordance with SAs of the financial statements from which the summary financial statements are derived. Before accepting an engagement to report on the summary financial statements, the auditor shall:
1. Determine whether the applied criteria are acceptable

2. Obtain the agreement of management that it acknowledges and understands its responsibility:
   - For the preparation of the summary financial statements in accordance with the applied criteria;
   - To make the audited financial statements available to the intended users of the summary financial statements without undue difficulty;
   - To include the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them.

3. Agree with the management the form of opinion to be expressed on the summary financial statements

If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in ii) above, the auditor shall not accept the engagement to report on the summary financial statements unless required by law or regulation to do so.

5.3 Procedures Required To Be Performed At The Execution Stage: The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:

   (i) Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements.

   (ii) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:

      (a) From whom or where the audited financial statements are available; or

      (b) The law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.

   (iii) Evaluate whether the summary financial statements adequately disclose the applied criteria.

   (iv) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial statements.

   (v) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.

   (vi) Evaluate whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
(vii) Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements.

5.4 Form of Opinion: When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor’s opinion shall, unless otherwise required by law or regulation, use one of the following phrases:

(a) The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]; or

(b) The summary financial statements are a fair summary of the audited financial statements, in accordance with the applied criteria.

If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph above, the auditor shall:

(a) Apply the procedures described above and any further procedures necessary to enable the auditor to express the prescribed opinion; and

(b) Evaluate whether users of the summary financial statements might misunderstand the auditor’s opinion on the summary financial statements and, if so, whether additional explanation in the auditor’s report on the summary financial statements can mitigate possible misunderstanding.

(c) If, in the case of paragraph (b), the auditor concludes that additional explanation in the auditor’s report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this SA. Accordingly, the auditor’s report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this SA.

5.5 Auditor’s Report on Financial Statements: The auditor’s report on summary financial statements shall include the following elements:

(a) A title clearly indicating it as the report of an independent auditor.

(b) An addressee.

(c) An introductory paragraph that:

(i) Identifies the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements;

(ii) Identifies the audited financial statements;

(iii) Refers to the auditor’s report on the audited financial statements, the date of that report, and, subject to modification to the opinion, the fact that an unmodified opinion is expressed on the audited financial statements;

(iv) If the date of the auditor’s report on the summary financial statements is later than the date of the auditor’s report on the audited financial statements, states that the summary
financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial statements; and

(v) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements is not a substitute for reading the audited financial statements.

(d) A description of management’s responsibility for the summary financial statements, explaining that management is responsible for the preparation of the summary financial statements in accordance with the applied criteria.

(e) A statement that the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by this SA.

(f) A paragraph clearly expressing an opinion.

(g) The auditor’s signature along with the firm registration number, wherever applicable, and the membership number assigned by the Institute of Chartered Accountants of India (ICAI).

(h) The date of the auditor’s report.

(i) The place of signature.

If the auditor’s report on the audited financial statements contain a qualified opinion, emphasis of matter paragraph or an Other Matter paragraph, but the audit is satisfied that the summary financial statements are consistent, in all material respect, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor’s report of the summary financial statements, shall also include the following:

(a) State that the auditor’s report on the audited financial statements contains a qualified opinion, an Emphasis of Matter paragraph, or an Other Matter paragraph; and

(b) Describe:

(i) The basis for the qualified opinion on the audited financial statements, and that qualified opinion; or the Emphasis of Matter or the Other Matter paragraph in the auditor’s report on the audited financial statements; and

(ii) The effect thereof on the summary financial statements, if any.

When the auditor’s report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, the auditor’s report on the summary financial statements shall, in addition to the elements in given above:

(a) State that the auditor’s report on the audited financial statements contains an adverse opinion or disclaimer of opinion;

(b) Describe the basis for that adverse opinion or disclaimer of opinion; and

(c) State that, as a result of the adverse opinion or disclaimer of opinion, it is inappropriate to express an opinion on the summary financial statements.
If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements.

5.6 Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting:
When distribution or use of the auditor’s report on the audited financial statements is restricted, or the auditor’s report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor’s report on the summary financial statements.

5.7 Comparatives: If the audited financial statements contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor’s report on the summary financial statements.

If the summary financial statements contain comparatives that were reported on by another auditor, the auditor’s report on the summary financial statements shall also contain the matters that SA 710 requires the auditor to include in the auditor’s report on the audited financial statements.

5.8 Unaudited Supplementary Information Presented with Summary Financial Statements: The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity’s presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor’s report on the summary financial statements that such information is not covered by that report.

5.9 Illustrations of Reports on Summary Financial Statements

<table>
<thead>
<tr>
<th>Note: Students are advised to refer the Illustration listed below given in Appendix of SA 810.</th>
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</thead>
<tbody>
<tr>
<td>• <strong>Illustration 2:</strong> An auditor’s report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements.</td>
</tr>
<tr>
<td>• <strong>Illustration 3:</strong> An auditor’s report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements.</td>
</tr>
<tr>
<td>• <strong>Illustration 4:</strong> An auditor’s report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements.</td>
</tr>
</tbody>
</table>
The accompanying summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company Ltd. for the year Ended March 31, 20X1. We expressed an unmodified audit opinion on those financial statements in our report dated May 15, 20X1. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Accounting Standards referred to in section 133 of the Companies Act, 2013 (“the Act”) [applied in the preparation of the audited financial statements of ABC Company Ltd.]. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company Ltd.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with [Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (“the Act”) and accounting principles generally accepted in India].

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, “Engagements to Report on Summary Financial Statements” issued by the Institute of Chartered Accountants of India.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1 are a fair summary of those financial statements, in accordance with [Accounting Standards referred to in section 133 of the Companies Act, 2013 (“the Act”) and accounting principles generally accepted in India].
6. STANDARD ON RELATED SERVICES 4400 - ENGAGEMENTS TO PERFORM AGREED UPON PROCEDURES REGARDING FINANCIAL INFORMATION

An agreed-upon procedures (AUP) engagement is an engagement in which an auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on the factual findings.

The “procedures” agreed may include:

- Inquiry and analysis: Eg. inquiry with client personnel about any unusual adjustment etc.
- Recomputation, comparison and other clerical accuracy checks: Eg. Performing re computation of rent expense by multiplying monthly rent with number of months.
- Observation: Eg. Observing the physical count of the inventory
- Inspection: Eg. Inspecting the vouchers for sales invoices along with supporting.
- Obtaining confirmations: Obtaining independent bank confirmation

6.1. Agreed upon procedures may also be required to be performed in situations

Obtaining loans: A bank may need assurances on receivables and inventory that serve as collateral for a loan. Auditor can perform AUP on those specific financial statement elements

Winning contracts: If you are a Government contractor, the awarding agency may require a report on your indirect costs or revenue or any other financial data for a specific time frame, thus performing AUP on the same etc.

Further an engagement to perform agreed-upon procedures may require the auditor to perform certain procedures concerning individual items of financial data like accounts payable, accounts receivable, purchases from related parties and sales and profits of a segment of an entity.

6.2 Procedures to be followed by Auditor while performing agreed upon procedures engagement as per SRS 4400

6.2.1 The auditor should comply with the Code of Ethics, issued by the Institute of Chartered Accountants of India. Ethical principles governing the auditor for this type of engagement are Integrity, Objectivity, Professional competence and due care, confidentiality, professional conduct, technical standards.

Students may note that Independence is not a requirement for agreed-upon procedures engagement, however, the terms or objective of the engagement may require the auditor to comply with the independence requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. Where the auditor is not independent, a statement to that effect should be made in the report of factual findings.
6.2.2 The auditor should establish a clear understanding with the client regarding the services to be performed by executing an engagement letter where in such communication should be addressed to the client and all specified parties who will receive copies of the report of factual findings. The engagement letter should include the following clauses

- Nature of the engagement
- Fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed.
- Purpose for the engagement.
- Financial information to which the agreed-upon procedures will be applied.
- Nature, timing and extent of the procedures.
- Restricted use of report to the specified parties
- Listing of the agreed upon procedures to be performed

6.2.3. The auditor should plan the work effectively after having clear understanding of the nature of the agreed upon procedures to be performed. The auditor should document matters which are important in providing evidence to support the report of factual findings in accordance with this SRS 4400 and engagement letter.

6.3 Report on Agreed Upon Procedures: The report on an agreed-upon procedures engagement needs to describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed. The report of factual findings should contain:

(a) Title;
(b) Addressee (ordinarily, the appointing authority);
(c) Specific financial or non-financial information to which procedures have been applied;
(d) A statement that the procedures performed were those agreed-upon with the recipient;
(e) A statement that the engagement was performed in accordance with the Standard on Related Services applicable to agreed-upon procedures engagements;
(g) Purpose for which the agreed-upon procedures were performed;
(h) Listing of the specific procedures performed;
(i) Description of the auditor’s factual findings including sufficient details of errors and exceptions found;
(j) A statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed;
(k) A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;

(l) A statement that the report is restricted to those parties that have agreed to the procedures to be performed;

(m) A statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity’s financial statements taken as a whole;

(n) Date of the report;

(o) Place of signature; and

(p) Auditor’s signature

The report should be signed by the accountant in his personal name. Where the firm is appointed, the report should be signed in the personal name of the accountant and in the name of the firm. The partner/proprietor signing the report on agreed-upon procedures should also mention the membership number assigned by the Institute of Chartered Accountants of India

6.3.1 Example of a Report of Factual Findings in Connection with Accounts Receivable

Report of Factual Findings in Connection with agreed upon Procedures Assignment Related to Accounts Receivable

To (those who engaged the auditor)

We have performed the procedures agreed with you and enumerated below with respect to the accounts receivable of ABC Company as at ________ (date), set forth in the accompanying schedules (not shown in this example). Our engagement was undertaken in accordance with the Standard on Related Services (SRS) 4400, “Engagements to Perform Agreed-upon Procedures regarding Financial Information”, issued by the Institute of Chartered Accountants of India. The procedures were performed solely to assist you in evaluating the validity of the accounts receivable and are summarized as follows:

1. We obtained and checked the addition of the trial balance of accounts receivable as at ____________ (date), prepared by ABC Company, and we compared the total to the balance in the related general ledger account.

2. We compared the attached list (not shown in this example) of major customers and the amounts outstanding at ____________ (date) to the related names and amounts in the trial balance.

3. We obtained customers’ statements or confirmations from customers to confirm balances outstanding at _________________ (date).

4. We compared such statements or confirmations to the amounts referred to in 2 above. For amounts which did not agree, we obtained reconciliations from ABC Company. For reconciliations obtained, we identified and listed outstanding invoices, debit notes and outstanding cheques, each of which was greater than ₹ XXX. We located and examined such
invoices and debit notes subsequently raised and cheques subsequently received and we ascertained that they have been rightly listed as outstanding on the reconciliations.

We report our findings below:

(a) With respect to item 1, we found the addition to be correct and the total amount to be in agreement.

(b) With respect to item 2, we found the amounts compared to be in agreement.

(c) With respect to item 3, we found there were suppliers’ statements for all such customers.

(d) With respect to item 4, we found the amounts agreed, or with respect to amounts which did not agree, we found the Company had prepared reconciliations and that the debit notes, invoices and outstanding cheques over ₹ XXX were appropriately listed as reconciling items with the following exceptions: (Detail the exceptions)

Because the above procedures do not constitute either an audit or a review made in accordance with the generally accepted auditing standards in India, we do not express any assurance on the accounts receivable as at _______(date).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with the generally accepted auditing standards in India, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of ABC Company, taken as a whole.

7. STANDARD ON RELATED SERVICES 4410 - COMPIIATION ENGAGEMENTS

7.1 Objective: This Standard on Related Services (SRS) deals with the practitioner’s responsibilities when engaged to assist management with the preparation and presentation of historical financial information without obtaining any assurance on that information, and to report on the engagement in accordance with this SRS.

This SRS applies to compilation engagements for historical financial information. The SRS may be applied, adapted as necessary, to compilation engagements for financial information other than historical financial information, and to compilation engagements for non-financial information. Hereinafter in this SRS, reference to “financial information” means “historical financial information.”

When the practitioner is requested to assist management with the preparation and presentation of financial information, appropriate consideration may need to be given to whether the engagement should be undertaken in accordance with this SRS. Factors that indicate that it may be appropriate to apply this SRS, including reporting under this SRS, include whether:
The financial information is required under provisions of applicable law or regulation, and whether it is required to be publicly filed. External parties other than the intended users of the compiled financial information are likely to associate the practitioner with the financial information, and there is a risk that the level of the practitioner’s involvement with the information may be misunderstood, for example if the financial information is intended for use by parties other than management or those charged with governance, or may be provided to, or obtained by, parties who are not the intended users of the information; and if the practitioner’s name is identified with the financial information.

7.2 The Practitioner’s Report: An important purpose of the practitioner’s report is to clearly communicate the nature of the compilation engagement, and the practitioner’s role and responsibilities in the engagement. The practitioner’s report is not a vehicle to express an opinion or conclusion on the financial information in any form.

The practitioner’s report issued for the compilation engagement shall be in writing, and shall include the following elements:

(a) The report title;
(b) The addressee(s), as required by the terms of the engagement;
(c) A statement that the practitioner has compiled the financial information based on information provided by management;
(d) A description of the responsibilities of management, or those charged with governance as appropriate, in relation to the compilation engagement, and in relation to the financial information;
(e) Identification of the applicable financial reporting framework and, if a special purpose financial reporting framework is used, a description or reference to the description of that special purpose financial reporting framework in the financial information;
(f) Identification of the financial information, including the title of each element of the financial information if it comprises more than one element, and the date of the financial information or the period to which it relates;
(g) A description of the practitioner’s responsibilities in compiling the financial information, including that the engagement was performed in accordance with this SRS, and that the practitioner has complied with relevant ethical requirements;
(h) A description of what a compilation engagement entails in accordance with this SRS;
(i) Explanations that:
   (i) Since a compilation engagement is not an assurance engagement, the practitioner is not required to verify the accuracy or completeness of the information provided by management for the compilation; and
   (ii) Accordingly, the practitioner does not express an audit opinion or a review conclusion on whether the financial information is prepared in accordance with the applicable financial reporting framework.
(j) If the financial information is prepared using a special purpose financial reporting framework, an explanatory paragraph that:

(i) Describes the purpose for which the financial information is prepared and, if necessary, the intended users, or contains a reference to a note in the financial information that discloses this information; and

(ii) Draws the attention of readers of the report to the fact that the financial information is prepared in accordance with a special purpose framework and that, as a result, the information may not be suitable for other purposes;

(k) The date of the practitioner’s report;

(l) The practitioner’s signature; and

(m) The Place of signature.

The practitioner shall date the report on the date the practitioner has completed the compilation engagement in accordance with this SRS.

7.3 Illustrative Report:

**Illustration: Practitioner’s report for an engagement to compile financial information that is an element, account or item, being [insert appropriate reference to information required for a regulatory compliance purpose].**

- Financial information prepared for a special purpose, i.e., to comply with financial reporting requirements established by a regulator, in accordance with provisions established by the regulator prescribing the form and content of the financial information.
- The applicable financial reporting framework is a compliance framework.
- The financial information is intended to meet the needs of particular users, and use of the financial information is restricted to those users.
- Distribution of the practitioner’s report is restricted to the intended users.

We have compiled the accompanying schedule of [identify the compiled financial information] of ABC Company as at March 31, 20XX (“the Schedule”) based on information you have provided.

We performed this compilation engagement in accordance with Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the Schedule as prescribed by [insert name of or reference to the relevant regulation]. We have complied with relevant ethical requirements.

This Schedule and the accuracy and completeness of the information used to compile it are your responsibility.
Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the Schedule. Accordingly, we do not express an audit opinion or a review conclusion on whether the Schedule is prepared in accordance with [insert name of or reference to applicable financial reporting framework as specified in the relevant regulation].

As stated in Note X, the Schedule is prepared and presented on the basis prescribed by [insert name of or reference to applicable financial reporting framework as specified in the relevant regulation], for the purpose of ABC Company’s compliance with [insert name of or reference to the relevant regulation] Accordingly, the Schedule is for use only in connection with that purpose and may not be suitable for any other purpose.

Our compilation report is intended solely for the use of ABC Company and Regulator F, and should not be distributed to parties other than ABC Company or Regulator F.

Note: Students are advised to refer SRS 4410 for more details.

**8. SRE 2400: ENGAGEMENTS TO REVIEW HISTORICAL FINANCIAL STATEMENTS**

This Standard on Review Engagements (SRE) deals with the practitioner’s responsibilities when engaged to perform a review of historical financial statements, when the practitioner is not the auditor of the entity’s financial statements; and the form and content of the practitioner’s report on the financial statements.

**8.1 Objective:** The practitioner’s objectives in a review of financial statements under this SRE are to obtain limited assurance, primarily by performing inquiry and analytical procedures, about whether the financial statements as a whole are free from material misstatement, thereby enabling the practitioner to express a conclusion on whether anything has come to the practitioner’s attention that causes the practitioner to believe the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework; and report on the financial statements as a whole and communicate, as required by this SRE.

In all cases when limited assurance cannot be obtained and a qualified conclusion in the practitioner’s report is insufficient in the circumstances, this SRE requires that the practitioner either disclaim a conclusion in the report issued for the engagement or, where appropriate, withdraw from the engagement if withdrawal is possible under applicable law or regulation.

**8.2 Practitioner’s Report:** The practitioner’s report for the review engagement shall be in writing, and shall contain the following elements:

(a) A title, which shall clearly indicate that it is the report of an independent practitioner for a review engagement;

(b) The addressee(s), as required by the circumstances of the engagement;
(c) An introductory paragraph that:
   (i) Identifies the financial statements reviewed, including identification of the title of each of
       the statements contained in the set of financial statements and the date and period
       covered by each financial statement;
   (ii) Refers to the summary of significant accounting policies and other explanatory
        information; and
   (iii) States that the financial statements have been reviewed;

(d) A description of the responsibility of management for the preparation of the financial
    statements, including an explanation that management is responsible for:
    (i) Their preparation in accordance with the applicable financial reporting framework
        including, where relevant, their fair presentation;
    (ii) Such internal control as management determines is necessary to enable the preparation of
        financial statements that are free from material misstatement, whether due to fraud or error;

(e) If the financial statements are special purpose financial statements:
    (i) A description of the purpose for which the financial statements are prepared and, if
        necessary, the intended users, or reference to a note in the special purpose financial
        statements that contains that information; and
    (ii) If management has a choice of financial reporting frameworks in the preparation of such
        financial statements, a reference within the explanation of management’s responsibility
        for the financial statements to management’s responsibility for determining that the
        applicable financial reporting framework is acceptable in the circumstances;

(f) A description of the practitioner’s responsibility to express a conclusion on the financial
    statements including reference to this SRE and, where relevant, applicable law or regulation;

(g) A description of a review of financial statements and its limitations, and the following
    statements:
    (i) A review engagement under this SRE is a limited assurance engagement;
    (ii) The practitioner performs procedures, primarily consisting of making inquiries of
        management and others within the entity, as appropriate, and applying analytical
        procedures, and evaluates the evidence obtained; and
    (iii) The procedures performed in a review are substantially less than those performed in an
        audit conducted in accordance with Standards on Auditing (SAs), and, accordingly, the
        practitioner does not express an audit opinion on the financial statements;

(h) A paragraph under the heading “Conclusion” that contains:
    (i) The practitioner’s conclusion on the financial statements as a whole; and
(ii) A reference to the applicable financial reporting framework used to prepare the financial statements.

(i) When the practitioner's conclusion on the financial statements is modified:

(i) A paragraph under the appropriate heading that contains the practitioner’s modified conclusion; and

(ii) A paragraph, under an appropriate heading, that provides a description of the matter(s) giving rise to the modification;

(j) A reference to the practitioner’s obligation under this SRE to comply with relevant ethical requirements;

(k) The date of the practitioner’s report;

(l) The practitioner’s signature; and

(m) The place of signature.

8.2.1 Emphasis of Matter and Other Matter Paragraphs in the Practitioner’s Report

1. Emphasis of Matter Paragraphs: The practitioner may consider it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that, in the practitioner’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements. In such cases, the practitioner shall include an Emphasis of Matter paragraph in the practitioner’s report, provided the practitioner has obtained sufficient appropriate evidence to conclude that the matter is not likely to be materially misstated as presented in the financial statements. Such paragraph shall refer only to information presented or disclosed in the financial statements.

The practitioner’s report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the practitioner’s report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose.

The practitioner shall include an Emphasis of Matter paragraph immediately after the paragraph that contains the practitioner’s conclusion on the financial statements under the heading “Emphasis of Matter,” or other appropriate heading.

2. Other Matter Paragraphs: If the practitioner considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the practitioner’s judgment, is relevant to users' understanding of the review, the practitioner’s responsibilities or the practitioner’s report and this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the practitioner’s report with the heading “Other Matter” or other appropriate heading.
3. **Other Reporting Responsibilities**: A practitioner may be requested to address other reporting responsibilities in the practitioner’s report on the financial statements that are in addition to the practitioner’s responsibilities under this SRE to report on the financial statements. In such situations, those other reporting responsibilities shall be addressed by the practitioner in a separate section in the practitioner’s report headed “Report on Other Legal and Regulatory Requirements,” or otherwise as appropriate to the content of the section, following the section of the report headed “Report on the Financial Statements.”

**Note**: Students are advised to refer Appendix of SRE 2400 for Illustrative Practitioners’ Review Reports given below:

<table>
<thead>
<tr>
<th>Review Reports on General Purpose Financial Statements</th>
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</thead>
<tbody>
<tr>
<td><strong>Illustrative Review Reports with Unmodified Conclusions</strong></td>
</tr>
<tr>
<td><strong>Illustration 1</strong>: A practitioner’s report on financial statements prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (for example, Accounting Standards referred to in the Companies Act, 2013).</td>
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</tbody>
</table>

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<tr>
<th><strong>Illustrative Review Reports with Modified Conclusions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Illustration 2</strong>: A practitioner’s report containing a qualified conclusion due to an apparent material misstatement of the financial statements. Financial statements prepared in accordance with a compliance framework designed to meet the common information needs of a wide range of users. (Financial statements prepared using a compliance framework)</td>
</tr>
<tr>
<td><strong>Illustration 3</strong>: A practitioner’s report containing a qualified conclusion due to the practitioner’s inability to obtain sufficient appropriate evidence. (Financial statements prepared using a fair presentation framework)</td>
</tr>
<tr>
<td><strong>Illustration 4</strong>: A practitioner’s report containing an adverse conclusion due to material misstatement of the financial statements. (Financial statements prepared using a fair presentation framework)</td>
</tr>
<tr>
<td><strong>Illustration 5</strong>: A practitioner’s report containing a disclaimer of conclusion due to the practitioner’s inability to obtain sufficient appropriate evidence about multiple elements of the financial statements resulting in inability to complete the review. (Financial statements prepared using a fair presentation framework)</td>
</tr>
</tbody>
</table>

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<tr>
<th>Review Reports on Special Purpose Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Illustration 6</strong>: A practitioner’s report on financial statements prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).</td>
</tr>
<tr>
<td><strong>Illustration 7</strong>: A practitioner’s report on a single financial statement prepared in accordance with the cash receipts and disbursements basis of accounting (for purposes of this illustration, a fair presentation framework).</td>
</tr>
</tbody>
</table>
9. SRE 2410 REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY

The purpose of this standard is to provide guidance on the auditor’s professional responsibilities when the independent auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report.

9.1 Objective: The objective of an engagement to review interim financial information is to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor’s attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with applicable financial reporting framework.

A review of interim financial information is not an audit and hence does not provide a basis for expressing true and fair view of the financial statements, or is presented fairly, in all material respects, in accordance with an applicable financial reporting framework.

Examples

(a) Limited review conducted by the independent auditor for quarterly reviews performed under the Listing requirements laid down by SEBI.
(b) Group auditor requesting component auditor to perform analytical reviews as per SRE 2410.

9.2 Finalising the report

- The auditor should evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor’s attention are material to the interim financial information.

- When, as a result of performing the review of interim financial information, a matter comes to the auditor’s attention that causes the auditor to believe that it is necessary to make a material adjustment to the interim financial information, the auditor should communicate this matter to the appropriate level of management.

- When a matter comes to the auditor’s attention that leads the auditor to question whether a material adjustment should be made for the interim financial information to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor should make additional inquiries or perform other procedures to enable the auditor to express a conclusion in the review report.

- The auditor should read the other information that accompanies the interim financial information to consider whether any such information is materially inconsistent with the interim financial information.
information. If a matter comes to the auditor’s attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor should discuss the matter with the entity’s management.

- The auditor should prepare review documentation that is **sufficient** and **appropriate** to provide a basis for the auditor’s conclusion and to provide evidence that the review was performed in accordance with SRE and applicable legal and regulatory requirements.

### 9.3 Report format:

The report on a review of financial statements should contain the following basic elements, ordinarily in the following layout:

- An appropriate title.
- An addressee, as required by the circumstances of the engagement.
- Identification of the interim financial information reviewed, including identification of the title of each of the statements contained in the complete or condensed set of financial statements and the date and period covered by the interim financial information.
- A statement that management is responsible for the preparation and presentation of the interim financial information in accordance with the applicable financial reporting framework.
- A statement that the auditor is responsible for expressing a conclusion on the interim financial information based on the review.
- A statement that the review of the interim financial information was conducted in accordance with Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity,” and a statement that such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
- A statement that a review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit and that accordingly no audit opinion is expressed.
- A conclusion as to whether anything has come to the auditor’s attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework.
- The date of the report.
- Place of Signature.
- The auditor’s signature and membership number assigned by the Institute of Chartered Accountants of India (ICAI).
- The Firm’s registration number of the member of the Institute, wherever applicable, as allotted by ICAI.
9.4 Examples of Review Reports on Interim Financial Information

Complete Set of General Purpose Financial Statements Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation (see paragraph 43(i))

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of ABC Entity as of June 30, 20X1 and the related statements of profit & loss and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with [indicate applicable financial reporting framework]. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” In the case of a review of historical financial information other than interim financial information, this sentence should read as follows: “We conducted our review in accordance with Standard on Review Engagements 2410, which applies to a review of historical financial information performed by the independent auditor of the entity.” The remainder of the report should be adapted as necessary in the circumstances. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of (or “does not present fairly, in all material respects,”) the State of Affairs of the entity as at June 30, 20X1, and of its Results of Operations and its cash flows for the three month period then ended in accordance with [applicable financial reporting framework, including a reference to the relevant jurisdiction of the financial reporting framework when the financial reporting framework used is not Financial Reporting Standards.

9.5 Key Difference between SRE 2400 and SRE 2410: Although the procedures required to be performed under SRE 2400 and 2410 is largely same, however the key differences between procedures listed down in SRE 2410 and SRE 2400, required to be performed is stated below:-
(a) The procedures listed down SRE 2410 is performed by an independent auditor whereas procedures laid down under SRE 2400 is performed by a practitioner.

(b) SRE 2410 deals with review of interim financial information whereas SRE 2400 deals with historical financial statements where practitioner is not the auditor of financial statements.

(c) The report template prescribed under respective SRE is different.

```
Material Misstatement to financial information
  ▼
Communicate to appropriate level of management
  ▼
Management does not respond
  ▼
Communicate to TCWG*
  ▼
TCWG does not respond
  ▼
Modify the report
  ▼
Withdraw from Engagement
  ▼
Resign from appointment as statutory auditor
```

In case of fraud or non-compliance to appropriate level of management

*TWCG : Those Charged with Governance.

**SUMMARY**

This chapter summarizes the key learnings coming out of the various types of reports discussed in the previous sections.

**Agreed upon Procedures**

- Auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on the factual findings. For eg. B and C have agreed into an agreement to share the summary of financial statement line items to C after verifying by an independent audit firm. The procedures required to be performed are primarily of review nature. B engaged X-audit firm to perform the review procedures which is agreed by executing an engagement letter.

- This work can also be performed by an auditor who is not independent but the fact should be mentioned in the report.
### Review Reports

- An auditor undertakes an engagement to review interim financial information of a client where primarily review procedures carrying out and hence it is not an audit.
- Eg. Limited review report required by an auditor on Quarterly results as per SEBI requirements

**Special type of reports:** Audit opinion is required to be issued on special purpose financial information, few financial line items etc. by an auditor to meet the requirement of specific users.

**Guidance note on reports or certificates for special purposes**

- A practitioner is required to issue reports other than those which are issued in audits or reviews of historical financial information.
- Examples- Certificate on net worth required in pursuant to a tender document.

<table>
<thead>
<tr>
<th>Nature</th>
<th>Agreed Upon Procedures</th>
<th>Review Reports</th>
<th>Special type of reports</th>
<th>Guidance note on Reports or certificates for special purposes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope</strong></td>
<td>Report to be issued on the Procedures required to be performed as agreed between the various parties</td>
<td>Engagement to perform review procedures on interim financial information or historical financial information</td>
<td>Audits of Financial Statements or a specific component or summary of financial statements prepared in Accordance with Special Purpose Framework</td>
<td>These are special type of reports or certificates for a specific purpose or compliance other than those which are issued in audits or reviews of historical financial information</td>
</tr>
<tr>
<td><strong>Type of report</strong></td>
<td>As prescribed in SRS 4400</td>
<td>As prescribed in SRE 2410 or 2400</td>
<td>As prescribed in SRE 2410 or 2400</td>
<td>As prescribed in the Guidance note on report or certificates for special purposes</td>
</tr>
<tr>
<td><strong>Assurance</strong></td>
<td>None</td>
<td>Limited</td>
<td>Limited / Reasonable</td>
<td>Limited/Reasonable</td>
</tr>
<tr>
<td><strong>Reporting of issues</strong></td>
<td>Through factual findings in the report</td>
<td>Emphasis of Matter/Qualified/Adverse/Disclaimer/other matter</td>
<td>Emphasis of Matter / Qualified/ Adverse / Disclaimer / other matter</td>
<td>Emphasis of Matter / Qualified / Adverse/Disclaimer/ other matter</td>
</tr>
</tbody>
</table>
TEST YOUR KNOWLEDGE

Theoretical Questions

1. List down the format of a report required to be issued under the framework of Guidance note on Reports or certificates for special purpose.
2. Explain the key differences between limited and reasonable assurance?
3. Describe briefly the procedures required to be performed while carrying out work on certificate to be issued to regulatory authority.
4. What is an agreed upon procedure engagement under SRS 4400?
5. What are the standard procedures required to be performed in a agreed upon procedures?
6. Draft a Practitioner’s report regarding payment of statutory dues, pursuant to request by lenders.

Answers to Theoretical Questions

1. Refer Para 2.9
2. Refer Para 2.1
3. Refer Para 2
4. Refer Para 6
5. Refer Para 6.2
6. Illustrative case given in Para 2.12

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