A PRACTICAL GUIDE TO AUDIT DOCUMENTATION WITH SPECIFIC REFERENCE TO MVAT AUDIT

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Chapter I
Introduction

"The skill of an accountant can always be ascertained by an inspection of his working papers."— Robert H. Montgomery, Montgomery's Auditing, 1912

Montgomery's Auditing was the primary source for auditors about the purpose and content of audit work papers until the AICPA issued its first standard on audit working papers in 1967. But from 1967 until now, authoritative auditing standards have provided guidance primarily for the content, objectives, ownership and custody of auditors' work papers.

Major frauds and business failures like the Enron Collapse focused attention on audit documentation and the issue of work paper retention and have led to the laying down of strict regulations on audit documentation

Work papers/ Audit Documents provide the principal support for an auditor's report. They keep auditors on track as they document the audit purpose, process, and outcome for others .It is an important aspect of an auditor's responsibilities. Yet, not many would claim to enjoy the process of compiling and preparing work papers.

Many a time work papers are compiled after the completion of an audit, rather than as it progressed. This practice is not very productive. Building work paper binders as you audit enable your documentation to contribute to the value of the audit.

Meaning of Documentation

The word "document" is used to refer to a written or printed paper that bears the original, official, or legal form of something and can be used to furnish decisive evidence or information. "Documentation" refers to the act or an instance of the supplying of documents or supporting references or records.

According to SA 230 on Audit Documentation issued by the Institute of Chartered Accountants of India "Documentation" refers to The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as "working papers" or "work papers" are also sometimes used).

Audit documentation is an essential element of audit quality. Although documentation alone does not guarantee audit quality, the process of preparing sufficient and appropriate documentation contributes to the quality of an audit. The need for documentation originated in Western Countries where auditors were increasingly being hauled up before Courts of law. Documentation is the only way an auditor can prove to outsiders that an effective audit was planned and performed

The requirements and contents for documentation may differ from case to case.

Chapter II

Assurance Engagements

"Assurance" refers to the auditor's satisfaction as to the reliability of an assertion being made by one party for use by another party. The degree of satisfaction achieved and therefore the level of assurance which may be provided is determined by the procedures performed and their results.

There are three types of assurance engagements a chartered accountant may perform:

(a) A reasonable assurance engagement.

Reasonable assurance means a high, but not absolute, level of assurance. The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the assurance engagement as the basis for a positive form of expression of the chartered accountant's conclusion.

In an audit, the Chartered Accountant provides a high (but not absolute) level of assurance on the reliability of financial statements. The auditor provides a positive opinion which essentially states that based on the work performed the financial statements comply with relevant accounting standards and principles

(b) A limited assurance engagement.

The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the chartered accountant's conclusion.

In a limited assurance engagement, the chartered accountant expresses the conclusion in the negative form, for example, "Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on XYZ criteria."

(c) Nil assurance engagement

Other frequently performed engagements in which no assurance is given include

• Agreed-upon procedures engagements.

• The preparation of tax returns where no conclusion conveying assurance is expressed or compilations of financial or other information.

• Consulting (or advisory) engagements, such as management and tax consulting.

Ethical principles and Quality control

The following elements of a quality control system apply to all assurance engagements

- Leadership responsibilities for quality on the assurance engagement.
- Ethical principles(Integrity, objectivity, Professional competence and due care, confidentiality, professional behavior)
- Acceptance and continuance of client relationships and specific assurance engagements.
- Assignment of assurance engagement teams.
- Assurance engagement performance.
- Monitoring

Elements of an assurance engagement

The following are the elements of an assurance engagement

1. A three party relationship involving a chartered accountant, a responsible party, and intended users;
2. An appropriate subject matter;
3. Suitable criteria;
4. Sufficient appropriate evidence; and
5. A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

Nature, Timing and Extent of Evidence-Gathering Procedures

1. The exact nature, timing and extent of evidence-gathering procedures will vary from one assurance engagement to the next.

In theory, infinite variations in evidence-gathering procedures are possible. In practice, however, these are difficult to communicate clearly and unambiguously. The chartered accountant has to attempt to communicate them clearly and unambiguously and uses the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

2. Reasonable assurance is a concept relating to accumulating evidence necessary for the chartered accountant to conclude in relation to the subject matter information taken as a whole. To be in a position to express a conclusion in the positive form required in a reasonable assurance engagement, it is necessary for the chartered accountant to obtain sufficient appropriate evidence as part of an iterative, systematic assurance engagement process involving:

   (a) Obtaining an understanding of the subject matter and other assurance engagement circumstances which, depending on the subject matter, includes obtaining an understanding of internal control.

   (b) Based on that understanding, assessing the risks that the subject matter information may be materially misstated.

   (c) Responding to assessed risks, including developing overall responses, and determining the nature, timing and extent of further procedures.

   (d) Performing further evidence-gathering procedures clearly linked to the identified risks, using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and enquiry. Such further evidence-gathering procedures involve substantive procedures including, where applicable, obtaining corroborating information from sources independent of the responsible party, and depending on the nature of the subject matter, tests of the operating effectiveness of controls.

   (e) Evaluating the sufficiency and appropriateness of evidence.

3. Reasonable assurance is less than absolute assurance. Reducing assurance engagement risk to zero is very rarely attainable or cost beneficial as a result of factors such as the following:
   - The use of selective testing;

• The inherent limitations of internal control;

• The fact that much of the evidence available to the chartered accountant is persuasive rather than conclusive;

• The use of judgment in gathering and evaluating evidence and forming conclusions based on that evidence; and

• In some cases, the characteristics of the subject matter when evaluated or measured against the identified criteria.

4. Both reasonable assurance engagements and limited assurance engagements require the application of assurance skills and techniques and the gathering of sufficient appropriate evidence as part of an iterative, systematic process that includes obtaining an understanding of the subject matter and other assurance engagement circumstances. The nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are, however, deliberately limited relative to a reasonable assurance engagement.

5 For some subject matters, there may be specific pronouncements to provide guidance on procedures for gathering sufficient appropriate evidence for a limited assurance engagement. In the absence of a relevant pronouncement, the procedures for gathering sufficient appropriate evidence will vary with the circumstances of the assurance engagement, in particular, the subject matter, and the needs of the intended users and the engaging party, including relevant time and cost constraints.

6 For both reasonable assurance engagements and limited assurance engagements, if the chartered accountant becomes aware of a matter that leads him to question whether a material modification ought to be made to the subject matter information, he may pursue the matter by performing other procedures sufficient him to report.

Types of services performed by a Chartered Accountant

The types of services generally performed by the Chartered Accountants are quite varied and can be broadly classified under the following heads

1. Audit

2. Review
3. Other Assurance services
4. Related services

1. Audit

An audit is the independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon

The purpose of auditing is to satisfy the users of financial statements that the accounts presented to them are drawn up on correct accounting principles and that they represent a true and fair view of the state of affairs of the organisation.

In forming the audit opinion, the auditor obtains sufficient appropriate audit evidence to be able to draw conclusions on which to base that opinion.

In audit, the Chartered Accountant's objective is to provide a high (but not absolute) level of assurance on the reliability of financial statements. Absolute assurance in auditing is not given due to the following reasons

- the need for judgment,
- the use of test checks,
- the inherent limitations of any accounting and internal control systems and
- the fact that most of the evidence available to the auditor is persuasive, rather than conclusive, in nature

The auditor provides a positive opinion which essentially states that based on the work performed; the financial statements comply with relevant accounting standards and principles. The level of testing procedures to obtain the evidence necessary to support such an opinion is high.

Types of audit include

1. Internal audit
2. Statutory audit
3. Tax Audit
4. VAT audit
5. Concurrent audit

2. Review

A review comprises inquiry and analytical procedures which are designed to review the reliability of an assertion that is the responsibility of one party for use by another party. While a review involves the application of audit skills and techniques and the gathering of evidence, it does not ordinarily, involve an assessment of accounting and internal control systems, tests of records and of responses to inquiries by obtaining corroborating evidence through inspection, observation, confirmation and computation, which are procedures ordinarily performed during an audit.

A review provides a negative assurance report giving only a moderate level of assurance on the reliability of the financial information. The report essentially states that nothing has come to the reviewer's attention to indicate that the financial information is not presented fairly in accordance relevant accounting standards and principles. Review engagements are designed as a limited review of financial statements; therefore the risk of mistakes, omissions or incorrect disclosures is considerably greater than with an audit.

3. Other Assurance services

Other Assurance services can also be provided based on contractual compliance requirements such as adherence to a specific performance clause, information security, due diligence reviews etc

4. Related services

a) Agreed-upon Procedures

In an engagement to perform agreed-upon procedures, 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 factual findings. The recipients of the report must form their own conclusions from the report by the auditor. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results. No assurance is given by the auditor in such cases.

b) Compilations

In a compilation engagement, a chartered Accountant is engaged to use accounting expertise as opposed to auditing expertise to collect, classify and summarise financial information. This ordinarily entails reducing detailed data to a manageable and understandable form without a requirement to test the assertions underlying that information. The procedures employed are not designed and do not enable the member to express any assurance on the financial information. However, users of the compiled financial information derive some benefit as a result of the member's involvement because the service has been performed with due professional skill and care. No assurance is given by the auditor in such cases.

c) The preparation of tax returns where no conclusion conveying assurance is expressed

d) Consulting (or advisory) engagements, such as management and tax consulting.

Chapter III

Technical standards on Audit Documentation

1. SA230 on Audit documentation issued by The Institute of Chartered Accountants of India (ICAI)

The auditor should document matters which are important in providing evidence that the audit was carried out in accordance with the generally accepted auditing standards in India. The Standard also touches upon the Timely Preparation of Audit Documentation; Documentation of the Audit Procedures Performed and Audit Evidence Obtained and Assembly of the Final Audit File

The revised standard is Effective for audits of financial statements for periods beginning on or after April 1, 2009)

2. AAS 3 on Audit Documentation issued by PCAOB- Public Company Accounting Oversight Board

Mandated by the U.S. Sarbanes-Oxley Act of 2002, the standard states that the board must establish audit standards that require registered public accounting firms to prepare and maintain, for at least seven years, audit documentation that supports the conclusions they reached in the external auditor's reports. The standard, which supersedes the American Institute of Certified Public Accountants' (AICPA's) Statement on Auditing Standard (SAS) No. 96 on audit documentation, is effective for audits of financial statements of companies with fiscal years ending on or after Nov. 15,2004

Among other provisions, the standard says:

- Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the work that was performed and the conclusions reached.
- After the report release date, auditors will have 45 days to assemble a complete and final set of audit documentation.
- Changes to the documentation after the audit completion date must be made without deleting or discarding the original documents.
- Audit evidence should be documented at the time the procedures are performed, and oral explanation should not be the primary source of evidence.
- Audit documentation supporting the work performed by other auditors, including auditors associated with other offices of the firm, affiliated firms, or nonaffiliated firms, must be retained by, or be accessible to, the office issuing the auditor's report.
- If the principal auditor decides not to assume responsibility for the work of other auditors, he or she should indicate the division of responsibility between the principal auditor and other auditors in expressing an opinion on the consolidated financial statements.

3. ISA 230 on Audit Documentation issued by International Auditing and Assurance Standards Board (IAASB)

The main requirements in ISA 230 are as follows:

- It places an emphasis on the timely preparation of audit documentation necessary to provide a sufficient and appropriate record of the basis for the auditor's report, and evidence that the audit was carried out in accordance with ISAs and applicable legal and regulatory requirements.
- Establishes a new requirement that the auditor prepare the audit documentation so as to enable an experienced auditor, having no previous connection with the audit, to understand the audit work performed, the results and audit evidence obtained, and the significant matters identified and conclusions reached thereon. It also defines the meaning of an "experienced auditor." The previous ISA only suggested that the auditor may find it useful to consider what would be necessary to provide another auditor, having no previous experience with the audit, with an understanding of the work performed and the basis for the main decisions taken.
- Establishes a new requirement that, if in exceptional circumstances the auditor judges it necessary to depart from relevant ISA requirements, the auditor document how the alternative audit procedures performed meets the objective of the audit and, if not otherwise clear, the reasons for the departure.
- Establishes a new requirement that the auditor complete the assembly of the final audit file on a timely basis after the date of the auditor's report, and provides guidance indicating that an appropriate time limit for this would ordinarily be 60 days after the date of the auditor's report. The revised ISA also resulted in the establishment of a new requirement in International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*, for firms to set up policies and procedures for the timely completion of the assembly of the final engagement files.
- Establishes a new requirement that the auditor not delete or discard audit documentation after the final audit file has been assembled, unless the retention period for the audit documentation has elapsed. The revised ISA also resulted in expanded guidance in ISQC 1 on the retention of engagement documentation. This guidance indicates that the retention

period for audits ordinarily is no shorter than five years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.

- The standard is effective for audits of financial periods beginning on or after June 15, 2006.

Chapter IV

Significance of Audit Documentation

The auditor must prepare audit documentation in connection with each engagement in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of audit procedures performed), the audit evidence obtained and its source, and the conclusions reached.

The significance of Audit documentation can be explained as follows:

i. Provides the principal support for the representation in the auditor's report that the auditor performed the audit in accordance with generally accepted auditing standards.
ii. Provides the principal support for the opinion expressed regarding the financial information or the assertion to the effect that an opinion cannot be expressed.
iii. Assists the audit team to plan and perform the audit;
iv. Self-Defense in a Court of Law: Onus in a Court proceeding lies on the auditor to prove that he was not professionally negligent in the performance of his duties
v. Self defense in case Consumer Protection Act, 1986 is invoked.
vi. Audit evidence in case of Review by FRRB- Financial Reporting Review Board-The FRRB reviews the general-purpose financial statements either suo motto or on a reference made to it by any regulatory body like, Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority, Department of Company Affairs, etc. The FRRB also reviews the general-purpose financial statements of enterprises relating to which serious accounting irregularities in the general-purpose financial statements have been highlighted by the media reports.
vii. To fulfill statutory requirements under Chartered Accountants Act,1949

viii. To fulfill requirements of Peer Review wherein working papers will also be reviewed in order to establish whether the attestation work has been carried out as per norms of Technical, Ethical and Professional Standards

ix. To fulfill requirements of Quality Review-[Chapter VII A of Chartered Accountants Act 1949 Sections 28A to Sections 28D]

x. Assists auditors who are new to an engagement and review the prior year's documentation to understand the work performed as an aid in planning and performing the current engagement;

xi. Assists members of the audit team responsible for supervision to direct and supervise the audit work, and to review the quality of work performed , in accordance with SA220 "Quality Control for Audit Work";

xii. Powers and duties of auditors- Companies Bill 2009 [clause 126] and punishment for contravention [Clause 130]

- Where an auditor contravenes any provisions with regard to his duties and functions / renders services that he is not allowed under the Bill / signing the audit report, then he will be punishable with fine which is not less than Rs.25, 000 but may extend to Rs.5 lakhs.
- Where the auditor willfully contravenes these provisions, then he will be punishable with imprisonment for a term which may extend to one year or with fine not less than Rupees One Lakh but may extend to Rupees Twenty Five lakh or with both.
- Where the auditor has been so convicted, he shall be liable to refund the remuneration received by him to the company and also pay for damages for losses resulting from any incorrect or misleading statements in his audit report

xiii. Demonstrates the accountability of the audit team for its work by documenting the procedures performed, the audit evidence examined, and the conclusions reached;

xiv. Retains a record of matters of continuing significance to future audits of the same entity;

xv. Assists quality control reviewers (for example, internal inspectors) who review documentation to understand how the engagement team reached significant conclusions and whether there is adequate evidential support for those conclusions;

xvi. Appropriate documentation contributes to the quality of an audit

xvii. Documentation fulfils the need to document oral discussions of significant matters and communicate to those charged with governance, as discussed in,SA260 "Communication with those Charged with Governance

Form and content of documentation

The form and content of audit documentation should be designed to meet the circumstances of the particular audit. The information contained in audit documentation constitutes the principal record of the work that the auditors have performed in accordance with standards and the conclusions that the auditors have reached. The quantity, type, and content of audit documentation are a matter of the auditors' professional judgment**.** The Audit documentation therefore is not restricted to being only on papers, but can also be on electronic media

Generally the factors that determine the form and content of documentations for a particular engagement are:

a) The nature of the engagement
b) The nature of the business activity of the client
c) The status of the client
d) Reporting format
e) Relevant legislations applicable to the client
f) Records maintained by the client
g) Internal controls in operation
h) Quality of audit assistants engaged in the particular assignment and the need to direct and supervise their work

Permanent and Current Audit files

In the case of recurring audits, some working paper files may be classified as permanent audit files, which are updated currently with information of continuing importance to succeeding audits. In contrast current audit files contain information relating primarily to the audit of a single period.

A) A permanent audit file normally includes:

a) Copy of initial appointment letter if the engagement is of recurring nature

b) Record of communication with the retiring auditor, if any, before acceptance of the appointment as auditor

c) NOC from previous auditor

d) Information concerning the legal and organisational structure of the entity. In the case of a company, this includes the Memorandum and Articles of Association.

In the case of a statutory corporation, this includes the Act and Regulations under which the corporation functions .i.e.

i. In case of partnerships- Partnership deed
ii. In case of trusts- Trust deed
iii. In case of societies- Certificate of registration/ Rules and Bye-laws.

e) Organisational structure of the client

f) List of governing body including Name, Address and contact details. For Instance, the List of Directors in case of a company, List of partners in a partnership and list of Trustees in a Trust.

g) Extracts or copies of important legal documents, agreements and minutes relevant to the audit.

h) A record of the study and evaluation of the internal controls related to the accounting system. This might be in the form of narrative descriptions, questionnaires or flow charts, or some combination thereof.

i) Copies of audited financial statements for previous years

j) Analysis of significant ratios and trends

k) Copies of management letters issued by the auditor, if any.

l) Notes regarding significant accounting policies.

m) Significant audit observations of earlier years.

n) Assessment of risks and risk management

o) Major policies related to Purchases and Sales

p) Details of sister concerns

q) Details of Bankers, Registrars, Lawyers etc

r) Systems and Data Security policies

s) Business Continuity Plans

B) A current file normally includes

The current file normally includes:

a) Correspondence relating to acceptance of annual reappointment.

b) Extracts of important matters in the minutes of Board Meetings and General Meetings, as are relevant to the audit.

c) Evidence of the planning process of the audit and audit programme

d) Analysis of transactions and balances.

e) A record of the nature, timing and extent of auditing procedures performed, and the results of such procedures

f) Evidence that the work performed by assistants was supervised and reviewed.

g) Copies of communications with other auditors, experts and other third parties.

h) Copies of letters or notes concerning audit matters communicated to or discussed with the client, including the terms of the engagement and material weaknesses in relevant internal controls.

i) Letters of representation or confirmation received from the client.

j) Conclusions reached by the auditor concerning significant aspects of the audit, including the manner in which exceptions and unusual matters, if any, disclosed by the auditor's procedures were resolved or treated.

k) Copies of the financial information being reported on and the related audit reports.

l) Audit review points and highlight.

m) Major weakness in Internal control

Retention of working papers/ documents

Period of retention

The auditor should retain the working papers for a period of time sufficient to meet the needs of his practice and satisfy any pertinent legal or professional requirements of record retention.

Ownership and custody

Working papers are the property of the auditor. The auditor may, at his discretion, make portions of or extracts from his working papers available to his client.

The auditor should adopt reasonable procedures for custody and confidentiality of his working papers

Requests for access to Working papers-

The following are to be noted in this regard:

1. SA200 *Basic Principles Governing An Audit,* states in para 6, "The auditor should respect the confidentiality of information acquired in the course of his work and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose".

2. 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", issued by the Institute, provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his personnel

3. Part I of the Second Schedule to the Chartered Accountants Act, 1949 provides that "A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he –

"Discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force."

4.Requests may be received by the members of the Institute, who have/had been performing the duties as the auditors of an enterprise, to provide access to their audit working papers from the clients or other auditors of the enterprise or its related enterprise such as a parent enterprise.

4. Under the circumstances ICAI has clarified that except to the extent stated in para 5 below, an auditor is not required to provide the client or the other auditors of the same enterprise or its related enterprise such as a parent or a subsidiary, access to his audit working papers. The main auditors of an enterprise do not have right of access to the audit working papers of the branch auditors. In the case of a company, the statutory auditor has to consider the report of the branch auditor and has a right to seek clarifications and/or to visit the branch if he deems it necessary to do so for the performance of the duties as auditor. An auditor can rely on the work of another auditor, without having any right of access to the audit working papers of the other auditor. For this purpose, the term 'auditor' includes 'internal auditor'.

5. As stated in para 4, the client does not have a right to access the working papers of the auditor. However, the auditor may, at his discretion, in cases considered appropriate by him, make portions of or extracts from his working papers available to the client.

Written representations

SA580 on Written Representations deals with the auditor's responsibility to obtain written representations from management and, where appropriate, those charged with governance.

Guidelines for Auditors on documentation / working papers

General guidelines for the preparation of working papers are:

a) Clarity and Understanding - Working papers should be clear and understandable without supplementary oral explanations.

b) Completeness and Accuracy –. Work papers should be complete, accurate, and support observations, testing, conclusions, and recommendations. They should also show the nature and scope of the work performed.

c) Pertinence – Limit the Information in working papers to matters that are important and necessary to support the objectives and scope established for the assignment.

d) Logical Arrangement – File the Working papers in a logical order.

e) Legibility and Neatness – Be neat in your work. Working papers should be legible and as neat as practical. Sloppy work papers may lose their worth as evidence. Crowding and writing between lines should be avoided by anticipating space needs and arranging the work papers before writing.

f) Safety- Keep your work papers safe and retrievable

g) Initial and Date- Put your initials and date on every working paper

h) Summary of conclusions- Summarize the results of work performed and identify the overall significance of any weaknesses or exceptions found

What has to be documented?

Standard No	Title	Documentation
SA 210	Terms of Audit Engagement	specimen letter is shown in Appendix 1
SA 220	Quality Control for Audit Work	▪ The audit programme ▪ Time budgets and the overall audit plan

SA 240 (Revised)	The Auditor's Responsibilities Relating to Fraud In An Audit of Financial Statements	• the understanding of the entity and its environment and the assessment of the risks of material misstatement required by SA 315 • The responses to the assessed risks of material misstatement required by SA 330 • communications about fraud made to management, those charged with governance, regulators and others. • Reasons as to why risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement
SA 250 (Revised)	Consideration of Laws and Regulations in an Audit of Financial Statements	• Consideration of Laws and Regulations in an Audit of Financial Statements
SA 260 (Revised)	Communication with Those Charged with Governance	• document communication done orally • Retain copy of written communication
SA 300 (Revised)	PLANNING an Audit of Financial Statements	• The overall audit strategy; • The audit plan; and • Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons

		for such changes.
SA315	Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment	• The discussion among the engagement team where required by paragraph 10, and the significant decisions reached; • Key elements of the understanding obtained regarding each of the aspects of the entity and its environment and of each of the internal control components ;the sources of information from which the understanding was obtained; and the risk assessment procedures performed; • The identified and assessed risks of material misstatement at the financial statement level and at the assertion level and • The risks identified, and related controls about which the auditor has obtained an understanding
SA 330	The Auditor's Responses to Assessed Risks	▪ (a) The overall responses to address the assessed risks of material misstatement at the financial statement level, and the nature, timing and extent of the further audit procedures performed; (b) The linkage of those procedures with the assessed risks at the assertion level; and (c) The results of the audit procedures, including

		the conclusions where these are not otherwise clear. ▪ document the conclusions reached about relying on audit evidence that were tested in a previous audit. ▪ documentation shall demonstrate that the financial statements agree or reconcile with the underlying accounting records.
SA 540 (Revised)	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	▪ The basis for the auditor's conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks; and ▪ Indicators of possible management bias, if any
SA 560 (Revised)	Subsequent Events	shall request management and, where appropriate, those charged with governance, to provide a written representation that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
SA 580 (Revised)	Written Representations	▪ necessary information that the auditor requires in connection with the audit of the entity's financial statements. ▪ Audit Evidence

SRE 2400	Engagements to Review Financial Statements	matters which are important in providing evidence to support the review report, and evidence that the review was carried out in accordance with this SRE.
SAE 3400	The Examination of Prospective Financial Information	▪ matters, which are important in providing evidence to support his report on examination of prospective financial information, and evidence that such examination was carried out in accordance with this SAE. ▪ working papers will include the sources of information, basis of forecasts and the assumptions made in arriving the forecasts, hypothetical assumptions, evidence supporting the assumptions, management representations regarding the intended use and distribution of the information, completeness of material assumptions, management's acceptance of its responsibility for the information, audit plan, the nature, timing and extent of examination procedures performed, and, in case the auditor expresses a modified opinion or withdraws from the engagement, the reasons forming the basis of such decision.
SRS 4400	Engagements to Perform Agreed-upon Procedures regarding Financial	▪ matters which are important in providing evidence to support the report of factual findings, and evidence that the engagement

	Information	was carried out in accordance with this SRS and the terms of the engagement.

Chapter V

Independence of Auditor

Auditors should be independent of the activities they audit. Auditors are considered independent when they can carry out their work freely and objectively. Independence permits auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. This is achieved through organizational status and objectivity. Independence stands for an auditor being able to take a stand and report on materiality issues, uninfluenced by any favor or coercion or undue influence.

The following are general categories of threats to the Auditor's independence

1) Self-interest threat

Such a threat can occur if the audit firm or a member of the audit team could benefit from a financial interest in, or other self-interest conflict with, an audit client.

Examples of circumstances that may create this threat include, but are not limited to:

- A direct financial interest or material indirect financial interest in an audit client;
- A loan or guarantee to or from an audit client or any of its directors or officers;
- Undue dependence on total fees from an audit client;
- Concern about the possibility of losing the engagement;
- Having a close business relationship with an audit client;
- Potential employment with an audit client; and
- Contingent fees relating to audit engagements

2) Self-review threat

This can occur when the audit firm, or an individual audit team member, is put in a position of reviewing subject matter for which the firm or individual were previously responsible, and which is significant in the context of the audit engagement. Examples of circumstances that may create this threat include:

- A member of the audit team being, or having recently been, a director,
- Officer or other employee of the audit client in a position to exert direct and Significant influence over the subject matter of the audit engagement;
- Performing services for an audit client that directly affect the subject matter of the current, or a subsequent, audit engagement; and
- Preparation of original data used to generate financial statements or preparation of other records that are the subject matter of the audit engagement.

3) Advocacy threat

This can occur when the audit firm, or a member of the audit team, promotes, or may be perceived to promote, an audit client's position or opinion to the point where objectivity may be compromised.

Examples of circumstances that may create this threat include:

- dealing in, or being a promoter of, shares or other securities in an audit client; and
- Acting as an advocate on behalf of an audit client in litigation or in resolving disputes with third parties.

4) Familiarity threat

This can occur when, by virtue of a close relationship with an audit client, its directors, officers or employees, an audit firm or a member of the audit team becomes too sympathetic to the client's interests.

Examples of circumstances that may create this threat include:

• A member of the audit team having a close family member who, as a director, officer or other employee of the audit client, is in a position to exert direct and significant influence over the subject matter of the audit engagement;

• A former partner of the firm being a director, officer or other employee of the audit client, in a position to exert direct and significant influence over the subject matter of the audit engagement;

• Long association of a senior member of the audit team with the audit client; and

• Acceptance of gifts or hospitality, unless the value is clearly insignificant, from the audit client, its directors, officers or employees.

5) Intimidation threat

This occurs when a member of the audit team may be deterred from acting objectively and exercising professional scepticism by threats, actual or perceived, from the directors, officers or employees of an audit client.

Examples of circumstances that may create this threat include:

• Threat of replacement over a disagreement with the application of an accounting principle;

• Pressure to reduce inappropriately the extent of work performed in order to reduce fees; and

• Dominant personality in a senior position at the audit client, controlling dealings with the auditor.

In relation to any engagement undertaken, the auditor should be in a position to articulate which of the above threats to independence apply. The threats and their magnitude will depend on the circumstances, and therefore a considered assessment will require the application of judgment. It is therefore impractical and inappropriate to suggest that any list of threats identified constitutes a complete list.

Framing the Independence policy

The areas to be considered while framing the independence policy include:

- Involvement in production of financial information
- Preparation of financial statement
- Design and implementation of management systems related to finance, risk management
- Providing related assurance services
- Recruitment of staff from client employees
- Staff from operational departments (in house IA function)
- Rotation of audit partners
- Conflict of interests
- Reporting relationship
- Relationship with client

Specimen Independence policy

(This proforma should be amended according to the status and level of work handled)

Each and every partner and staff will have to maintain independence in the professional assignments handled by the firm and strictly adhere to the below mentioned guidelines:

1. Manager (HR) shall be responsible to formulate and amend the independence policy, get it approved, communicate the same to partners and staff at the time of joining and also every six months.
2. It has been ensured that there is no power of direction from executive or operational levels of the entity.
3. None of the partners is a member or adviser in any of the management committees
4. All partners and staff have to disclose their interest in any of the professional assignments undertaken by the firm in the prescribed format at the time of joining and every six months to the Manager (HR).
5. None of the partners or staff have a material direct or indirect financial interest in the client

6. None of the partners or staff including their relatives should own any shares of the company of which the firm is conducting the audit.
7. None of the partners' relatives should be employee/director/partner of the client/client groups in which the assignment is being handled.
8. There should be no conflict of interest and duty.
9. None of the partners or staff should seek personal assignments from clients apart from work being handled.
10. None of the partners or staff should seek employments, agencies, distributorship etc from clients for themselves or their relatives.
11. None of the partners or staff should accept any gifts or presents on any occasion from a client.
12. None of the partners or staff should request for any discounts, gift vouchers etc from a client.
13. None of the partners or staff should avail any freebies from a client.
14. No loan or guarantee should be taken from the client.
15. No member of the audit team should have been the member a director or officer of the assurance client;
16. No member of the audit team should be an immediate family member or close family member who is a director or officer of the client;
17. No member of the audit team should be, or having recently been, an employee of the assurance client in a position to exert direct and significant influence over the subject matter of the engagement.
18. Fees should not be based on the outcome of engagement.
19. Fees cannot be charged as percentage of revenue or profit.
20. When it is felt that the threat to independence cannot be eliminated or reduced to acceptable level, discontinue or refuse the engagement.

DECLARATION

We the undersigned do hereby confirm that we have read the above stated independence policy of the firm and agree to abide by it

Name	Signature	Date

Independence checklist for the firm conducting assurance services for the period-------------

	Questions	Compliance
A.	**For the firm**	
1	Whether the fees paid by the client are material to the firm?	
2	Whether any arrangements exist between the firm and the client whereby there is sharing of • Facilities • Professional staff • Other expenses	
3	Is there rotation of audit partner and senior personnel every 5 years?	
4	Is there any power of direction from executive or operational levels of the entity?	
5	Whether the firm or any of its partners or staff is involved in maintenance of books of accounts of the client?	
6	Whether the firm or any of its partners or staff are involved in any other client activity (e.g. Filing returns, computation of turnover etc.)	
7	Whether the firm has obtained sufficient knowledge of the client and its management to be aware of the possible threats to independence?	
8	Whether the firm faces a threat of being replaced over disagreements with application of accounting principles?	

9	Whether there is pressure to inappropriately reduce the work performed?	
10	Whether the firm follows the recommended fee schedule issued by the Institute of Chartered Accountants of India?	
11	Whether the fees accepted by the firm constitute undercutting?	
12	Whether the MVAT auditor has communicated to previous auditor in writing?	
B.	**For the audit staff**	
1	Does the Audit Manager /Chief Audit Executive reports to the line management?	
2	Does the audit staff have any close family relationship with any client staff at senior management level?	
3	Does the audit staff have any close family relationship with any client staff whose work will come under review?	
4	Do you or a close family member have a beneficial or other interest in shares or other investments in the client?	
5	Do you have any pecuniary interest in the client other than consideration received for work?	
6	Do you or a close family member have a mutual business interest with the client?	
7	Have you or a close family member taken a loan from or to or given or accepted any guarantee from or to a client?	
8	Are you connected in any way with any other business that provides services, goods or advice to a client?	
9	Have you accepted goods or services on favourable terms, or received undue hospitality from a client?	
10	Have you been employed by or an officer of a client in the last	

	one/two years?	
11	Have you been involved in management, business, activities or executive decisions of the client?	
12	Are you intending to join or currently negotiating with a view to joining client?	
13	Do you have a beneficial interest in a trust holding shares or other investments in a client?	
14	Are you a trustee of a trust that holds shares or other investments in a client?	
15	Was there any obligation to carry out, modify or refrain from carrying out, an audit or suppress or modify findings, conclusions and recommendations?	
16	Does the firm /staff provides any advice or service which includes management responsibilities or powers?	

Note: If the answers to any of the questions is 'yes' the firm should consider the effect on independence or the possible loss of the appearance of independence. The firm should consider whether the impairment could be removed before the commencement of audit/attestation etc.

Chapter VI
Peer Review

Peer review for chartered accountants means evaluation of a colleague's work professionally. Peer review applies only to practicing Chartered Accountants as Audit and assurance work can be performed by practicing Chartered Accountants only.

The Government of India set up a Committee on Corporate Audit and Governance to avoid any corporate scandals and eventual collapse. This committee headed by Mr. Naresh Chandra recommended among other things setting up a professional body to provide transparent quality review and an Independent quality review board to examine and review the quality of audit.

The Institute of Chartered Accountants of India set up a Peer Review Board in 2002 to ensure the quality of attestation services rendered by the members. The Peer Review Board was set up in terms of Para 6.1 of the Statement on peer Review issued by the Institute of Chartered Accountants India. This statement also lays down the guidelines for conduct of Peer Review.

The main objective of Peer Review as laid down in the Statement on Peer review is as under:

a) comply with the Technical Standards, Ethical Standards and Professional Standards laid down by the Institute and

(b) have in place proper systems (including documentation systems) for maintaining the quality of the attestation services they render

Thus Peer Review is meant for the Practice units and aims at enhancing quality of professional work, transparency in technical standards used, world class procedures and techniques resulting into more reliable and useful audit and reports. The review is conducted to enhance those attributes of professionalism that serve to keep the profession of chartered accountancy in India in the forefront of the accounting and auditing profession in the world.

The Review shall focus on

(i) Compliance with Technical Standards.

(ii) Compliance with Ethical Standards.

(iii) Compliance with Professional Standards.

(iv) Quality of Reporting.

(v) Office systems and procedures for carrying out attestation services

(vi) Training Programmes for staff (including Articled and Audit Assistants) concerned with attestation functions, including availability of appropriate infrastructure therefor.

The importance of proper documentation is clearly brought out in the statement on peer review as follows

(1) Any practice unit/person , and who is reasonably believed by a reviewer to have in his possession or under his control any record or other document which contains or is likely to contain information relevant to the peer review shall:

(i) Produce to the reviewer or afford him access to, any record or document specified by the reviewer or any other record or document which is of a class or description so specified, and which is in his possession or under his control, being in either case a record or other document which the reviewer reasonably believes is or may be relevant to the peer review, within such time as the reviewer may reasonably require;

(ii) If so required by the reviewer, afford and provide to him such explanation or further particulars in respect of anything produced in compliance above, as the reviewer shall specify; and

(iii) Provide to the reviewer all assistance in connection with peer review which he is expected to provide.

(2) Where any information or matter relevant to a practice unit is recorded otherwise than in a legible form, the practice unit shall provide and present to the reviewer a reproduction of any such information or matter, or of the relevant part of it in a legible form, with a suitable translation in English if the matter is in any other language, and such translation is requested for by the reviewer.

(3) The practice unit shall ensure that the reviewer is given access to all documents relevant to his review no matter which office of the practice unit these documents may be available in, in case the practice unit has more than one office.

(4) A practice unit shall allow the reviewer to inspect, examine or take any abstract of or extract from a record or document which may be required by the reviewer.

Chapter VII

Quality Review

One of the major changes made in the Chartered Accountants Act, 1949 made vide The Chartered Accountants (Amendment) Act, 2006 (No.9 of 2006 notified by the Central Government in the Gazette of India (Extra Ordinary) dated 23rd March, 2006 (hereinafter referred to as the "Amendment Act, 2006"),was the Provision of a Quality Review Board to review the quality of services provided by the professionals and making recommendations for improvement

Accordingly, the Central Government set up a Quality Review Board in June; 2007 While five members have been nominated by the Centre, the remaining five have been nominated by the ICAI Council.

Hence .in orders to fulfill the requirements of Quality review also, it is essential that the professionals set up procedures to ensure proper documentation. Standard checklists, specimen letters should be maintained and working papers should be well organized.

Chapter VIII

Audit Process

The five stages in any audit are:

1. Pre-engagement
2. Understanding the business of the entity
3. Audit planning
4. Substantive procedures
5. Reporting

Pre-Engagement

Before commencement of any audit the auditor should

1. Procure Engagement letter from the dealer.

An engagement letter in case of an audit documents and confirms the auditor's acceptance of appointment, the objective and scope of audit and the extent of the auditor's responsibilities to the client.

SA 210 [earlier AS 26] issued by the Institute of Chartered Accountants of India requires the auditor and the client to agree on the terms of engagement of the audit. The engagement letter should be sent by the auditor, preferably before the engagement to avoid any misunderstandings later. Two copies of the letter should be sent to enable the client to return a duly signed copy to the auditor as an acceptance of the terms stated therein.

On recurring audits, the auditor should consider the necessity for revision or for reminding the client of the terms of engagement.

The scope of an audit shall depend upon the terms of engagement, statutory requirements and the pronouncements issued by the Institute.

The auditor should not agree to a change in the engagement unless there is a reasonable justification for the same. On refusal to accept change, if the auditor is not permitted to continue the original engagement, he should withdraw and consider whether he has any obligation to report withdrawal to other parties.

1. **Communicate with the previous auditor**

The term "previous auditor" means the immediately preceding auditor who held same or similar assignment comprising same/similar scope of work.

The objective of communication with the previous auditor is not only for professional courtesy but also that the member may have an opportunity to know the reasons for the change in order to be able to safeguard his own interest, the legitimate interest of the public and the independence of the existing accountant.

The requirements of communication with the previous auditor apply to all audit assignments, including internal audits, concurrent audits, tax audits, etc. The object of the communication is to ascertain whether there are any circumstances warranting refusal to accept the audit. There could be a need for a qualified report or something amiss with the administration of the enterprise. The communication could also bring to light the reason for qualified report, if any, and the position of the accounts of the enterprise.

The communication should be in writing to serve as evidence. The view taken by the Council, as confirmed by the Rajasthan High Court is that mere posting of a letter under a certificate of posting is not enough to prove communication. There should be reasonable evidence to prove that the letter has in fact reached the retiring auditor.

The Standards relevant to are:

SA 210 [earlier AAS 26]	Terms of Audit Engagement	The auditor and the client should agree on the terms of engagement

Understanding the business of the entity

Proper knowledge is a pre-requisite for any kind of planning. Hence, before planning, the auditor should acquire full knowledge of the client's business and policies, the relevant laws and the requisites of the audit (statutory and otherwise).

This involves understanding /knowing:

1. the nature of business
2. the nature of its products
3. the processes involved in manufacture, production and ascertaining whether any part of the work is to be sent out of the entity for further processing
4. The key personnel involved
5. The business of the entity in order to identify the events and risks that may have an impact on the audit report
6. The transactions of related parties that are material to the financial statements. The auditor should obtain sufficient audit evidence in this regard
7. The accounting and internal control system of the dealer
8. Effect of a CIS environment on the audit. The auditor should have sufficient knowledge of the CIS to proceed with the audit.

The Standards relevant are:

SA 250 [earlier AAS 21]	Consideration of Laws and Regulations in an audit of financial statement	When the auditor believes that there is a non-compliance, he should document the same and discuss them with the management
SA 315	Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment	The auditor shall obtain an understanding of the following: (a)Relevant industry, regulatory, and other external factors including the applicable financial reporting framework.

		(b)The nature of the entity, (c)The entity's selection and application of accounting policies, (d)The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement. (e)The measurement and review of the entity's financial performance.
SA 330	The Auditor's Responses to Assessed Risk*s*	The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level
SA 550 [earlier AAS 23]	Related parties	The auditor should obtain sufficient audit evidence regarding the transactions of related parties that are material to the financial

		statements
SA 402 [earlier AAS 24]	Audit considerations relating to entities using service organizations	The auditor should consider how a service organization affects the accounting and internal control system of the borrower

Audit planning

SA 200 [earlier AAS 1] "Basic Principles Governing an Audit" requires an auditor to plan his work to enable him to conduct an effective audit in an efficient and timely manner.

SA 300 [earlier AAS 8] "Audit Planning", requires an auditor to plan on a continuous basis, i.e., it should be revised on a continuous basis during the performance of audit. Audit planning involves,

- Developing an overall plan for the expected scope and conduct of the audit; and
- Developing an audit programme showing the nature, timing and extent of audit procedures.

Audit Plan is prepared prior to commencement of each audit and should-

- Have a flexible process for discussion and resolution of material compliance issues;
- Provide ways of identifying and resolving important issues to reduce audit time;
- Explain the rationale for all audit issues which are not self evident;
- Take into consideration the results of other compliance checks such as internal audit of the dealer (the dealer furthers a note on the subject prior to audit);
- Ensure that the Audit team, as a whole, has the appropriate expertise for undertaking the audit;
- Provide a reasonable basis and time frame, to resolve any outstanding issues from previous audits;
- Provide quick access to the Auditor to the relevant books, records, returns, agreements and all other business records (including those maintained in electronic format),

- Establish a process to measure the progress of the audit and adjust the audit plan as mutually agreed to by the parties.
- The audit plan should be signed by the authorised signatory for the auditor.

The Standards relevant while preparing the audit plan are:

SA 300 [earlier AAS 8]	Planning an Audit of Financial Statements	Auditor should plan his work based on the client's business to enable him to conduct an effective audit in an efficient and timely manner
SA 299 [earlier AAS 12]	Responsibility of joint auditors	The division of work should be adequately documented and matters of relevance may be communicated to the joint auditors in writing
SA 402 [Earlier AAS 24]	Audit Considerations Relating to Entities Using Service Organizations	While planning the audit, the auditor of the client should determine the significance of the activities of the service organisation to the client and their relevance to the audit
SA 530 earlier [AAS 15]	Audit Sampling	The auditor should design and select an audit sample, perform audit procedures thereon, and evaluate sample results so as to

		provide sufficient appropriate audit evidence
SA 570 [earlier AAS 16]	Going concern	The auditor should consider the appropriateness of the going concern assumption underlying the preparation of the financial statements
SA 220 [earlier AAS 17]	Quality control for Audit work	The audit firm should implement quality control policies and procedures designed to ensure that all audits are conducted in accordance with Auditing and Assurance standards

. Substantive procedures

An audit programme should lay down the substantive procedures for the purpose of audit. For an audit to be conducted in a systematic and comprehensive manner, the audit programme should be in writing and lay down the procedures to be followed to implement the audit plan in a detailed manner. It should also serve as a set of instructions to the assistants involved in the audit and as a means to control proper execution of the work. It also helps in peer review compliances.

An audit program should be so designed that an auditor is able to perform sufficient checks and sampling for the verification of returns and preparation of the audit report under the Maharashtra Value Added Tax Act, 2002.

The auditor should ensure Compliance with Accounting Standards, Auditing and Assurance Standards, Guidance Notes and Industry Specific Technical Guidelines.

Care should be taken to document working papers as per the Audit Plan.

The Standards relevant for the purpose are:

SA 200 [earlier AAS 1]	Basic Principles Governing an Audit	Auditor should comply with certain basic principles whenever an audit is carried out.
SA 200A [earlier AAS 2]	Objective and Scope of the Audit of Financial Statements	The auditor assesses the reliability and sufficiency of the information contained in the underlying accounting records and other source data by making a study and evaluation of accounting systems and internal controls and carrying out such other tests, enquiries and other verification procedures of accounting transactions and account balances as he considers appropriate in the particular circumstances.
SA 230 [earlier AAS 3]	Audit Documentation	Auditor should have proper working papers that will enable him to substantiate his results
SA 240 [earlier AAS 4]	The Auditor's Responsibility relating to Fraud in an Audit of Financial Statements	The auditor should approach the audit with a perspective, which enables

		him in the process of preventing and in the process, taking corrective measures, for the probable frauds and errors that exist.
SA 500 [earlier AAS 5]	Audit Evidence	The auditor should evaluate whether he has obtained sufficient appropriate evidence before he draws his conclusions
SA 510 [earlier AAS 22]	Initial Engagements –Opening Balances	The auditor should obtain evidence that the closing balances of the preceding period have been correctly brought forward and the opening balances do not contain misstatements that materially affect the financial statements for the current period.
SA 540 [earlier AAS 18]	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, And Related Disclosures	The auditor has to obtain sufficient appropriate audit evidence whether in the context of the applicable financial reporting framework: (a)accounting estimates, including fair value accounting estimates, in the financial statements,

		whether recognised or disclosed, are reasonable; and (b) related disclosures in the financial statements are adequate
SA 610 [earlier AAS 7]	Relying upon the work of an Internal Auditor	The auditor should evaluate the internal audit function and accordingly adopt less extensive procedures than otherwise required
SA 620 [earlier AAS 9]	Using the work of an expert	Auditor should carefully direct, supervise and review work delegated to assistants and should obtain reasonable assurance that work done is adequate for his purpose
SA 600 [earlier AAS 10]	Using the work of another auditor	In the process of giving an assurance that the bank requires, the auditor may have to rely on the work of the other auditors like the Internal auditor, the Inspectors appointed by the RBI, etc. The principal auditor should discuss with the other auditor the audit procedures

		applied
SA 580 [earlier AAS 11]	Written Representations	The auditor should use his professional judgment in determining matters on which he wishes to obtain Representations by management
SA 320 [earlier AAS 13]	Audit materiality	The auditor should consider materiality and its relationship with audit risk when conducting the audit
SA 520 [earlier AAS 14]	Analytical procedures	The auditor should apply analytical procedures at the planning and overall review stages of the audit
SA 560 [earlier AAS 19]	Subsequent events	The auditor should consider the effect of subsequent events on the audit report
SA 505 [earlier AAS 30]	External confirmations	The auditor should determine whether the external confirmations are necessary to support certain assertions in financial statements
SA 501 [earlier AAS 34]	Audit evidence-Additional considerations for specific items	The auditor should perform audit procedures designed to obtain appropriate audit evidence during his presence in physical checking

SA 710 [earlier AAS 25]	Comparatives	The auditor should determine whether the comparatives comply, in all material respects, with the financial reporting framework relevant to the financial statements being audited.

Reporting

1. The report has to be submitted to the authority appointing the auditor.
2. It should be in the prescribed format (Form 704) and should be exhaustive and inclusive of all facts and summaries.
3. It should include the date, time, location of visit and the name of the officials conducting the audit and the official of the entity present at the time of conducting the audit.

The relevant Standards are:

SA 260 [earlier AAS 27]	Communication of Audit matters	The engagement letter should describe the form in which any communication on audit matters of governance interest will be made
SA 700 [earlier AAS 28]	Auditor's report on financial statements	The auditor should review and assess the conclusions drawn from the audit evidence obtained as the basis for the expression of an opinion on the financial statements

Chapter IX

Framework/Manual/ Charter/ Policies of Quality control in Audit assignments undertaken by an auditor

Introduction

This charter contains the policies, processes, and methodologies to support the audit team in carrying out all its engagement with highest level of quality. It has been prepared keeping in view the requirements of Standard on Quality Control -1**,** Preface to Standards on Quality Control, Auditing, Review, Other Assurance and Related Services and Code of conduct as issued by ICAI.

I. Leadership Responsibilities for Quality within the Firm

1. **Promotion of an internal culture of quality and provision of related practical guidance**:

- XYZ,s leadership fosters a culture of audit quality in many ways. One way is by ensuring that all relevant partners and staff are aware, through regular communications (both written and oral), that the firm places significant emphasis on the quality of the work performed to support audit opinions.
- Commitment to quality is also embedded throughout our detailed policies and procedures, endorsed by our leadership. Such policies and procedures include those relating to human resources, the Code of Conduct, and training. Members of the leadership team often provide introductory comments for internal professional development programs.
- The quality of work carried out and the risk management performance of individual partners and staff are important components of the annual individual partner and staff planning and assessment process

2. **Clearly established responsibilities of the CEO (or equivalent) and other senior personnel for quality control**

   Our risk management policies and procedures, authorised by the leadership team and readily available to all partners and staff, establish the roles and responsibilities of the various members of our management groups the audit engagement leaders and managers, and the partners responsible for managing the Quality Maintenance group. The ultimate responsibility for quality control lies with our CEO *Mr. A Rao*.

3. **Appropriate qualifications, experience, ability and authority of those to whom responsibilities for quality controls and performance are delegated**

There are five hierarchies for quality control in our organisation, which are as follows:

- **Quality Control Council (QCC)**

The Quality Control Council's main role is to provide a governance function. It reports to the board of partners, and membership consists of senior partners including *Mr B. Krishnan* as Quality Control leader.

- **Quality Control group (QCG)**

Quality Control Group's responsibility is to ensure there are appropriate systems in place to monitor, assess and manage the risks associated with the business. It is headed by *Mr C Raman*. It operates in liaison with risk management partners. The members of Quality Control group are appropriately qualified and experienced staff.

- **Chief Quality Officer (CQO)**

The CQO is operationally responsible for Quality Management System for Assurance work.

- **Accounting Consulting Services (ACS) group**

ACS is the technical accounting group responsible for providing assistance in accounting and reporting issues, and thereby contributing to quality decisions. The members of ACS are appropriately qualified and experienced staff.

- **Assurance Services Partners (ASPs) and audit coach network**

This group operates at a practice level and is responsible for the effective implementation of the XYZ Audit Methodology within their business units. The group is led by our Audit Implementation Partner *Mr D Biswas*.

4. **Communication of the quality control policies and procedures to all relevant personnel (indicate methods, scope and frequency of communications).**

Details of all significant policies and procedures are available to all audit partners and staff. ACS is responsible for notifying partners and staff of changes to those policies and procedures. This notification is done through monthly/ quarterly newsletters and other bulletins. Changes are notified with regard to both internal policies and procedures and also external regulatory requirements. Technical update sessions are held regularly for partners and staff. These may be in the form of lunchtime forums or twice-yearly technical training sessions. We also conduct regular independence training courses including electronic learning modules

5. **Demonstration of firm's overriding commitment to quality above commercial considerations, through the firm's policies and procedures addressing performance evaluation, compensation and promotion, and devotion of sufficient resources for the development, documentation and support of quality control policies and procedures**

   In assessing the performance of partners, directors and managers we consider the comments of ACS, QCG and QCC, together with the results of our various quality review programs, concerning their compliance with our policies and procedures. Our audit partners, directors and managers are aware that significant instances of non-compliance with those policies will have a negative impact on their remuneration and prospects for advancement. Further, there is a clear message from the leadership that partners exhibiting strong technical skills and quality in their work will be rewarded accordingly.

   Directors, managers and other practice staff are reminded as part of the annual personal planning process that they need to prioritise their commitment to quality and excellence. This process assesses compliance by all staff with our objectives with respect to work execution including quality standards. These components are specifically addressed in the annual review forms used in the staff performance appraisal process.

II. Ethical Requirement

1. **The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements**

   Our ethical requirements policies relating to audits and reviews of historical financial information, and other assurance and related services engagements are based on the Code established by ICAI. The fundamental principles of professional ethics on which our policy is based includes:

(a) Integrity;

(b) Objectivity;

(c) Professional competence and due care;

(d) Confidentiality; and

(e) Professional behaviour

It act as guidelines for partners and staff with respect to ethical conduct and which codify certain standards of acceptable behaviour. It contains information on a broad range of policies covering legal and professional obligations, client and other business relations, organisational and administrative requirements, and personal conduct. By summarising all relevant policies and procedures and identifying a variety of resources to help members of the firm comply with those policies, it operates as a tool for all partners and staff in relation to their conduct.

Partners and staff are made aware of the Code upon joining the firm and are reminded of its contents as they progress through the firm. New staffs are introduced to the Code during their orientation program. An Ethics & Business Conduct Committee has a monitoring role. The Annual Independence Confirmation requires staff to confirm that they are familiar with the Code of Conduct, and that they are personally responsible for upholding it.

2. **Policies and procedures to identify non-compliance with ethical requirements and to document both the issues identified and how they were resolved.**

The firm has a good whistle blowing policy at place. A separate committee Ethics & Business Conduct Committee has been framed for the purpose. If an issue is raised, it will be addressed by a Business Ethics Officer and an Investigations Officer will be appointed. The Investigations Officer's role is to investigate the matter. The Investigations Officer will be someone with sufficient and appropriate experience and authority in the firm, who is independent of, and no way involved in, the matter raised. The Ethics & Business Conduct Committee should ensure that all matters are appropriately documented, followed up and resolved.

3. **The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject**

to independence requirements (including experts contracted by the firm and network firm personnel), maintain independence where required by the Code

Our independence policies are based on the applicable professional pronouncements and regulatory requirements. All our independence policies are easily accessible by all partners and staff. Our policies are updated on a regular basis to reflect changes in professional pronouncements and regulatory requirements. All partners and staff of the firm receive training on all aspects of the firm's independence policy.

In addition, the independence policies are communicated to partners and staff as follows:

- a monthly independence alert to all partners and staff which highlights additions to the independence list (i.e. a list of clients from which our firm must be independent)
- specific and targeted communications/alerts where there are changes to the independence policy requirements or regarding a client-specific matter (e.g. a takeover)
- the various independence confirmation processes such as the Annual Independence Confirmation and engagement-level independence confirmation.
- The personal independence policies are communicated to all new partners and professional staff before they join the firm.
- All partners and staff are required to complete a personal independence training module tailored to their grade and function. This is done on a regular basis and as circumstances change e.g change in grade for staff.
- The firm also requires partners and staff to complete training sessions on scope of service and business relationships
- In addition to independence training being provided at career milestones (such as promotion), independence content is embedded into technical training courses in each Line of Service.

4. **Policies and procedures to identify and evaluate circumstances and relationships that create threats to independence so that appropriate action may be taken to eliminate or reduce the threat to an acceptable level by applying safeguards or, if considered appropriate, by withdrawing from the engagement**.

   As part of the client acceptance and continuance process, the members of an engagement team are required to assess any threats to independence that may arise from a proposed engagement. In certain circumstances the engagement team is required to conduct a firm-wide 'relationship check' through a centralised relationship-checking team. The results of these checks are assessed by the engagement team.

5. **Requirements for the engagement partner to obtain information, consider breaches if any of the firm's independence policies, take appropriate action and document conclusions on compliance with independence requirements that apply to the audit engagement.**

   The audit engagement partner is required to consider specific matters as part of their audit procedures e.g non-audit services . All potential breaches identified by the engagement partner are referred to the independence partner for assessment. Consultations with the independence partner are documented on the audit file. In addition to the procedures carried out by the engagement partner, the independence partner communicates any breaches that have arisen from the firm's quality control processes to the engagement partner

6. **Requirements for personnel to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action may be taken.**

   Our independence policy requires staff to discuss any potential independence issues promptly with more senior members of the engagement team. This allows for the potential issues to be considered by and resolved

7. **Periodic written (or electronic) confirmation (at least annually) of compliance with firm policies on independence by all personnel required to be independent**

   We conducts an annual confirmation process covering all partners and staff, in which each person is required to confirm their compliance with PwC's independence policies or alternatively to provide details of instances of non-compliance. In addition, partners and staff working on audit engagements are required to provide engagement-specific independence confirmations for each individual client.

8. Criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time

As a policy we require that no partner can conduct audit of a firm for more than three years in sucession. Other staff cannot be associated with an audit engagement for four year in succession. Each engagement team is required to document details relating to partner rotation as part of its annual risk assessment of the client.

III. Acceptance and Continuance of Client Relationships and Specific Engagements

Our policies require acceptance and continuance (A&C) assessments to be completed for all new clients and new engagements, and an annual reassessment for existing financial statement audit clients. It include an electronic approval process where different levels of approval are required depending upon the assessment outputs.

1. Procedures for the validation of the integrity and reputation of the client orpotential client, including key members of management and those charged with governance

Our policies require an upfront investigation of new clients and their directors and officers. Activities undertaken involve reference checks on potential clients and discussions with other professionals concerning those potential clients. The annual assessment requires a reassessment of the integrity of significant shareholders, directors and officers, as well as of the governance and oversight structure. When new senior personnel join the client, background searches are performed on those individuals. Other steps taken in this respect are

- Communications with existing or previous providers of professional accountancy services to the client in accordance with the Code, and discussions with other third parties.

- Inquiry of other firm personnel or third parties such as bankers, legal counsel and industry peers.
- Background searches of relevant databases.

We declines to propose, accept, or retain work when the risks are considered to be not manageable, when the client will not agree on the scope of the work required, or when the fee relationship is otherwise unacceptable.

2. **Procedures to determine the competence of the firm or practitioner to perform the engagement and availability of resources and adequate time to do so**

Each engagement partner is responsible, in consultation with others as necessary, for ensuring that partners and staff assigned to the engagement have the professional competence and experience required in the circumstances. In addition, the engagement partner is ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

An assessment is made by the the engagement team to consider whether there are sufficient available resources to meet the requirements of any services to be provided. This assessment includes assessment whether:

- Firm personnel have knowledge of relevant industries or subject matters;
- Firm personnel have experience with relevant regulatory or reporting requirements, or the ability to gain the necessary skills and knowledge effectively;
- The firm has sufficient personnel with the necessary capabilities and competence;
- Experts are available, if needed;
- Individuals meeting the criteria and eligibility requirements to perform engagement quality control review are available, where applicable; and
- The firm would be able to complete the engagement within the reporting deadline.

3. **Policies for determination of ability to meet the ethical and independence requirements**.

Our policies and procedures require an engagement team to evaluate ethical and independence concerns with respect to all prospective clients. Through the firm wide relationship-check process, we circulate details of the potential client and the nature of the service to be provided, and ask partners and staff whether they are aware of any independence or conflict issues.

4. **Policies and procedures where information is obtained subsequent to an engagement acceptance or continuation which, if the information had been obtained earlier, would have caused the engagement to be declined**.

We have drafted policy to evaluate our relationship with a client when any of the following occur, or become known, that were not considered at the time of our acceptance or most recent annual continuance assessment:

- a substantial change in members of management, directors, or controlling interests
- a significant change in the client's business, financial condition, or litigation status
- concerns about the client's financial viability, reputation, integrity, or reliability that raise questions about our ability to meet our professional obligations or the acceptability of our association with the client.

If the assessment shows that we could no longer continue the engagement in question the following steps are taken:

- Discussing with the appropriate level of the client's management and those charged with its governance regarding the appropriate action that the firm might take based on the relevant facts and circumstances.
- If the firm determines that it is appropriate to withdraw, discussing with the appropriate level of the client's management and those charged with its governance withdrawal from the engagement or from both the engagement and the client relationship, and the reasons for the withdrawal.
- Considering whether there is a professional, regulatory or legal requirement for the firm to remain in place, or for the firm to report the withdrawal from the engagement, or from both the engagement and the client relationship, together with the reasons for the withdrawal, to regulatory authorities.

- Documenting significant issues, consultations, conclusions and the basis for the conclusions.

IV. Human Resources

1. **Policies and procedures to provide the firm with reasonable assurance that it has sufficient personnel with the capabilities, competence and commitment to ethical principles to perform its engagements**.

   We have a separate and well staffed department for Human Resource Development which is headed by *Mrs J Tyagi*. Our recruitment procedures for both entry-level and experienced recruits incorporate an assessment of educational and academic achievements, together with several interviews by certain staff and partners, in order to assess competency. In addition, we complete background reference checks on all candidates to address other important issues such as integrity. Independence issues are resolved before the person joins the firm. Training in interview techniques and guidance is provided to our interviewers by our human resources staff, to enhance the quality of our recruitment process.

2. **Such policies and procedures address the following personnel issues:**

   (a) Recruitment;

   (b) Performance evaluation;

   (c) Capabilities;

   (d) Competence;

   (e) Career development;

   (f) Promotion;

   (g) Compensation; and

   (h) Estimation of personnel needs.

   All staffs are allocated development coaches from their date of recruitment, to monitor their career development. The importance of coaching is emphasised by providing training in coaching techniques to partners and senior staff. Those coaching techniques relate not only to on-the-job training but also to more formal development training.

Each person within organisation is required to have a formal development plan, revised annually, that sets out their development objectives. These are discussed with and monitored by their coaches. We also have certain policies relating to advancement that affect an individual's progress. We also helps staff to further both their professional and their management skills through financial assistance and study leave.

Partner and staff performance is evaluated annually by the individual's respective coach, through a review process that incorporates input from superiors. All professional staff's performance on audit assignments is evaluated. Our audit methodology and procedures provide opportunities for informal feedback and coaching throughout an engagement. All staff are encouraged to provide 'upward feedback' on both audit performance and their senior team members.

There is a formal partner admission process. Firm leadership partners are involved throughout the process which involves identification, assessment and nomination of candidates.

3. Regular assessment of professional development needs and assignment of personnel to courses accordingly.

The continuing competence of the firm's personnel depends to a significant extent on an appropriate level of continuing professional development so that personnel maintain and also enhance their knowledge and capabilities. The firm therefore emphasizes in its policies and procedures, the need for continuing training for all levels of firm personnel, and provides the necessary training resources and assistance to enable personnel to develop and maintain the required capabilities and competence. Where internal technical and training resources are unavailable, or for any other reason, the firm may use a suitably qualified external person for that purpose.

4. **Policies and procedures for assigning the responsibility for each engagement to an engagement partner and communicating this information to client management and those charged with governance.**

   Business unit leaders are responsible for allocating partners to clients in their industry group according to the skill and competence of the partner in question. They are also required to ensure that there is a balance in partner workload, taking into account the business unit's fees and income, as well as having in place appropriate safeguards to ensure partners' objectivity and independence.

5. **Policies and procedures regarding engagement partner capability, competence and authority**

   Partners undertaking an audit are required to be appropriately accredited in order to fulfil their roles. The capabilities and competence considered when assigning engagement teams, and in determining the level of supervision required, include the following:

   - An understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation.
   - An understanding of professional standards and regulatory and legal requirements.
   - Appropriate technical knowledge, including knowledge of relevant information technology.
   - Knowledge of the relevant industries in which the clients operate.
   - Ability to apply professional judgment.
   - An understanding of the firm's quality control policies and procedures

V. Engagement Performance

1. **Policies and procedures to provide the firm with reasonable assurance that engagements are performed in accordance with professional standards, regulatory and legal requirements and that the firm issues reports that are appropriate in the circumstances**

Our company has audit methodology which complys with engagement standards issued by the Institute of Chartered Accountants of India and other regulations applicable in India. Standard checklists have been developed to check compliance with our policy, professional standards, and regulatory and legal requirements. Such compliance is monitored through our quality review processes which include real-time reviews and engagement completion reviews. Standard formats of reports such as audit reports are stored on a templates database. Guidance is provided with each template outlining the relevant technical reference and a description of the report and the circumstances in which it should be used.

The electronic tool we use to document work performed also includes completion checklists for engagement leaders and quality review partners. Included in these checklists are questions about whether the report to be issued is appropriate and is properly based on the findings of the work performed. The internal engagement quality review process also includes questions relating to the appropriateness of the reports issued.

2. Overall quality on each audit engagement the responsibility of the engagement partner

The role of the engagement leader includes responsibility for the quality of audit engagements, including the quality of the work done and the documentation. Accordingly, the outputs from the quality reviews on the audit engagements form part of partner performance evaluations.

3. Engagement quality and consistency through use of manuals and/or software tools or other forms of standardised documentation and industry or subject matter-specific guidance

We use our Audit Methodology for all audit engagements to ensure a uniform and consistent approach. The methodology is enhanced as necessary to respond to the changing environment. All partners and staff receive ongoing training in this methodology. *Mrs P Ranganathan* is responsible for upgrading the methodology as per the changes in regulation in consultation with senior partners of the firm and our IT experts.

4. Supervision, quality control and documentation of work during the engagement

We place much emphasis on the need for adequate supervision of staff. Standards for supervision are set out in our Audit Guide. That material calls for partners to abide by our and professional standards in the conduct of their work and in their supervision of the work of others, and to ensure that work is performed to an acceptable standard, that significant issues are identified and that the work is adequately documented. In addition, training courses and newsletters to partners and staff regularly emphasise the need for adequate supervision, quality control and documentation. The engagement leader has full responsibility for the audit engagement and its performance, including for the quality of work and documentation.

5. Review by more experienced personnel, including the engagement partner, of work performed by less experienced team members prior to issuing the auditor's report

The need for a review of all work done is one of the standard working practices set out in our Audit Methodology and is incorporated into the electronic tool we use to document our record of work performed. All audit work must be reviewed by at least one person in addition to the person who performed the work. The audit methodology sets out the review responsibilities of each level within the engagement teams.

6. Policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation

Cyclical backup tapes of Notes servers and Network drives are periodically created for operational security purposes such as file corruption and disaster recovery. Archive CDs of electronic audit files are created when the files are finalised. These archive CDs are kept in accordance with retention requirements. The firm has policies regarding access to working papers and access to reports by third parties. Restricted access applies to all electronic client files and strict procedures are in place with regard to external workpaper files. Access to engagement documentation by third parties is not given unless strict guidelines are complied with.

7. **Policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation.**

Our policy states that all work papers should be retained for a minimum period of 10 years

8. Consultation: Policies and procedures designed to provide reasonable assurance that appropriate consultations take place on difficult or contentious matters within a culture which recognises consultation as a strength and encourages such consultation

Our policies require that formal consultation be undertaken with appropriate members of the engagement team in a number of situations to ensure consistency of approach on moderately complex accounting or auditing matters – including, for example, where a qualified audit report is to be issued. We set out standards for the documentation of the consultation process and the recording of technical support for positions taken. The engagement team is responsible for documenting the findings of the consultation process in the audit work papers.

9. Differences of opinion: Process and procedures for resolving differences of opinion, before the report is issued, within the engagement team, with those

consulted and, where applicable, between the engagement partner and engagement quality control reviewer

Any member of the engagement team is able to discuss matters with the engagement leader and/or the engagement quality review partner, or any other partner should the need arise. The final decision rests with the engagement leader, who has ultimate responsibility for the engagement. In reaching a decision, the engagement leader should consider all relevant factors, including the professional views of all staff with whom the matter has been discussed.

10. Engagement Quality Control Review: Policies and procedures for the objective evaluation by an Engagement Quality Control Review of significant judgements made by the engagement team and the conclusions reached. Applicable to all audits of financial statements of listed entities and other audits and reviews which meet criteria established by the firm's policies.

We have a policy of appointing a quality review partner (QRP) to all listed and public sector clients. This partner's role is to evaluate objectively, before the relevant report is issued, the significant judgements made by the engagement team and the conclusions reached in formulating that report. The QRP role covers key audit areas including adequacy of the scope of work, resolution of significant matters, and determining whether the basis for the audit opinion is appropriate. The internal quality review process covering engagement reviews also includes questions relating to the sufficient involvement of the QRP.

A QRP must be an Assurance partner with sufficient stature, technical knowledge, experience and industry expertise to make an objective evaluation of the engagement team's significant judgements and the conclusions reached in the engagement. The QRP must not be closely associated with the relevant engagement or client; and they must not serve in any role other than QRP (for example as a subject matter expert or client service partner), either in relation to the engagement for which the QRP has been appointed, or any other engagement for that client

11. Nature, timing and extent of the review

The electronic tool we use to document the audit work performed includes checklists for the QRP to confirm that, at the planning and completion stages, they have fully considered the matters set out in our policy by reviewing the relevant documentation on the electronic file and holding appropriate discussions with the engagement leader and team manager.

12. Documentation of the review process and of the conclusions

All documentation evidencing reviews is maintained in the electronic and external working paper files. For the QRP reviews, QRP checklists are completed and signed-off by the QRP in a timely manner and retained on the audit file.

VI. Monitoring

1. **Policies and procedures to provide the firm with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice.**

In addition to engagement reviews, we have a program for reviewing the implementation of policies and practices generally. It covers functional areas such as recruitment, training, staff promotion and independence. This review is conducted once every two years.

2. **Policies and procedures for the inspection of a selection of completed engagements for compliance with quality control policies and procedures**.

Engagements selected for inspection include at least one engagement for each engagement partner over an inspection cycle, which ordinarily spans no more than three years. We release standard checklists and extensive guidance and instruction, including guidance on reaching conclusions where deficiencies are identified. The real time improvement process is undertaken throughout the audit process on a real time basis each reporting period across a cross section of partners. The reviews are performed by a network of coaches within the practice. Focus is on coaching and real time quality enhancement.

3. Evaluation of the effect of deficiencies noted as a result of the monitoring process and recommendations for remedial action

The review team leader's instructions contain specific examples of circumstances for deficient conclusions, and a standard process for conducting and documenting deficiencies and recommendations. Documentation of findings includes the reviewer's description of the facts and the engagement team's response, including the agreed remedial action taken or to be taken. The reviewer must be satisfied that the matter has been mitigated and the required action is appropriate.

The results of review programs are analysed to determine the root causes for findings and to identify remedial actions for those causes. The results of the reviews are taken into account in partner and manager performance assessments.

4. Communication to relevant engagement partners and other appropriate personnel of deficiencies and other matters noted as a result of the monitoring process, including remedial action.

The Quality review team must communicate all deficiencies and other matters noted to the engagement leader and relevant engagement team members. The engagement leader's agreement to the findings and remedial action to be taken is an integral part of the review process

5. **Periodic communication (at least annually) of results of monitoring process to engagement partners and the firm's leadership**.

As part of the review process a summary report with the results is produced for distribution to the relevant risk management partners, business unit leaders, Assurance leadership team and the Quality Control Council. A remediation plan is also produced based on both the local and global review processes covering deficiencies which require further action at a practice level. Extracts of these reports are communicated to the partners and staff in the practice. Each engagement partner receives a communication on the detailed results of the review of its engagement. A review report is provided to the Quality Review team.

6. Complaints and allegations

Policies and procedures to deal with internal and external complaints and allegations regarding failure to comply with professional standards and regulatory and legal requirements and non-compliance with the firm's system of quality control

Internal complaints can be reported through the confidential Ethics Hotline All other complaints and allegations are treated in a similar manner to that used when dealing with threatened litigation or disciplinary action. Guidance for partners and staff in such circumstances is set out in our risk management policy and procedures. Partners must report any claim or circumstance immediately to the Assurance risk management partner and/or Assurance leader

7. Documentation of adoption of appropriate action following investigation of complaints and allegations by a partner with sufficient and appropriate experience and authority

Assurance Risk Management Partner *Mr Y Dalmia* is responsible for documenting the action taken following investigation of complaints and allegations

VII. Documentation

1. **Documentation policies and procedures to provide evidence of the operation of each element of the firm's system of quality control**

The elements of the firm's system of quality control are documented and monitored in a ABD database. The database is developed at to facilitate the documentation of the quality control system and to provide leadership with a framework to identify controls, develop a monitoring program, determine the appropriate levels of documentation and testing, and evaluate compliance with SQC1. The QMS database is updated annually by XYZ LTD with input from subject matter experts in relevant areas such as Human Resources and Learning & Education.

2. **Documentation retention policies**

The firm retains this documentation for at least 10 yrs. However, when there is a threat of litigation or regulatory or disciplinary action, or when files are subpoenaed the firm retains this documentation for a period of time sufficient to permit those proceedings.

Chapter X

Specimen checklist for compliance of Engagement and Quality control Standards issued by the Institute of Chartered Accountants of India

The following is an illustrative checklist of compliance of all Engagement and Quality control standards issued by ICAI.

Client Name: ____

Audit Staff: ____

Date of Checking_____________________________________

Renumbered Standard	Old AAS No.	Auditing and Assurance Standards	Check list	Compliance Yes/No	Effect on auditors report
		Preface to the standards on Quality control, Auditing, Review, other Assurance and Related services	• Have the Standards on Auditing been followed in the audit of financial information covered by the audit reports? • Does the report draw attention to the material departures there from?		
SA 200	AAS 1	Basic Principles Governing an Audit	• Whether an impartial attitude has been maintained free of any interest which may be incompatible with integrity and objectivity? • Whether confidentiality of information acquired in the course of work is maintained? • Whether the audit has been performed and the report prepared with due professional care by persons who have adequate training, experience and competence in auditing? • Whether the audit has been carefully directed,		

			supervised and work delegated to assistants has been reviewed? • While relying on work performed by others, has adequate skill and care been exercised? • Whether all information which are important in providing evidence that the audit was carried out in accordance with the basic principles been documented? • Whether the work has been planned to enable conduct of an effective audit in an efficient and timely manner based on knowledge of the client's business? Has the plan be modified as per subsequent requirements? • Whether sufficient appropriate audit evidence has been obtained through the performance of compliance and substantive procedures in order to enable reasonable conclusions to be drawn and opinion to be framed		

			accordingly? • Is there reasonable assurance that the accounting system is adequate and that all the accounting information which should be recorded have in fact been recorded? Have the internal controls which normally contribute to such assurance been evaluated? • Whether the conclusions based on the audit evidence obtained and from knowledge of business of the entity has been reviewed and assessed?		
SA 200A	AAS 2	Objective and Scope of the Audit of Financial Statements	• Whether all aspects of the enterprise as far as they are relevant to the financial statements have been audited? • Whether there is reasonable satisfaction that the information contained in the underlying accounting records and other source data is reliable and sufficient as the basis for the preparation of the		

			financial statements? • Whether the relevant information is properly disclosed in the financial statements subject to statutory requirements, where applicable? • Are there any constraints on the scope of the audit of financial statements that impair the expression of an unqualified opinion on such financial statements? • If so, a qualified opinion or disclaimer of opinion should be expressed, as appropriate.		
SA 230	AAS 3	Audit Documentation	• Whether suitable documentation has been made during the conduct of audit? • Whether the working papers record the audit plan, the nature, timing and extent of auditing procedures performed, and the conclusions drawn from the evidence obtained? • Whether the working papers		

			designed and properly organised to meet the circumstances of the audit? • Whether the Working papers are sufficiently complete and detailed so as to enable an overall understanding of the audit? • Whether reasonable care to ensure custody and confidentiality of his working papers has been taken? • If, in exceptional circumstances it is necessary to depart from a relevant requirement in a SA, have you documented how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure. • If, in exceptional circumstances, new or additional audit procedures are performed or new conclusions drawn after the date of the auditor's report , have the following been documented (a) The circumstances		

			encountered; (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and (c) When and by whom the resulting changes to audit documentation were made and reviewed.		
SA 240	AAS 4	The Auditor's Responsibility relating to Fraud in an Audit of Financial Statements	• Whether the risk of material misstatements in the financial statements resulting from fraud or error when planning and performing audit procedures and evaluating and reporting the results thereof has been considered? • Whether the other members of the audit team are aware of the susceptibility of the		

			entity to material misstatements in the financial statements resulting from fraud or error in planning the audit? • Whether inquiries of management have been made regarding management's own assessment of the risk of fraud and the systems in place to prevent and detect it? • Whether inquiries of management have been made regarding the accounting and internal control systems in place to prevent and detect error? • Whether substantive procedures have been designed to reduce to an acceptably low level the risk that misstatements resulting from fraud and error that are material to the financial statements taken as a whole will not be detected?		

			• In circumstances that may indicate that there is a material misstatement in the financial statements resulting from fraud or error, whether procedures have been performed to determine whether the financial statements are materially misstated? • Whether the implications of the misstatement in relation to other aspects of the audit, particularly the reliability of management representations have been considered? • Whether the risk factors identified have been documented? • Whether there has been a communication to the management and to those charged with Governance the material misstatements resulting due to error, fraud and		

			of inherent weaknesses in Internal control? • Whether there has been a communication with the previous auditor? • whether there is a responsibility to report the occurrence or suspicion to a party outside the entity		
SA 500	AAS 5	Audit Evidence	• Whether sufficient appropriate audit evidence has been obtained by performing compliance and substantive procedures in order to enable reasonable conclusions to be drawn on the financial information? • When there is reasonable doubt as to any assertion of material significance, has an attempt been made to obtain sufficient appropriate evidence to remove such doubt? • Whether a qualified opinion has been		

			expressed if sufficient appropriate evidence has not been obtained?		
SA 610	AAS 7	Relying Upon the Work of an Internal Auditor	• Whether an evaluation of the internal audit function has been made and the audit procedures planned accordingly? • Whether tests have been conducted on the work of the internal audit which is to be relied upon? • Whether evaluation and conclusions thereof have been documented?		
SA 300	AAS 8	Planning an audit of Financial statements	• Whether the audit been planned based on knowledge of the business, terms of engagement and applicable legal or statutory requirements? • Whether the engagement partner and key members of the engagement team have been involved in the planning process? • Whether the plan has been revised as and when necessary?		

			• Whether the overall audit plan has been documented? • Whether a written Audit programme has been prepared setting forth the procedures that are needed to implement the audit plan? • Does the audit programme contain the audit objectives for each area and have sufficient details to serve as a set of instructions to the assistants involved in the audit?		
SA 620	AAS 9	Using the Work of an Expert	• Whether, when the work of an expert has been used as audit evidence, has the expert's professional qualifications, and experience and reputation in the field in which the evidence is sought been considered? • Whether it has been ensured that the expert's work constitutes appropriate audit		

			evidence in support of the financial information? • whether a qualified opinion, a disclaimer of opinion or an adverse opinion, as may be appropriate has been expressed if the work of the expert is inconsistent with the information in the financial statements ?		
SA 600	AAS 10	Using the Work of Another Auditor	• Whether while using the work of another auditor, it has been determined how the work of the other auditor will affect the audit? • Whether it has been taken into consideration the professional competence of the other auditor in the context of specific assignment if the other auditor is not a member of the Institute of Chartered		

			Accountants of India? • Whether procedures have been performed to obtain sufficient appropriate audit evidence, that the work of the other auditor, in the context of the specific assignment? • Whether the significant findings of the other auditor have been considered? • Whether there is sufficient liaison with the other auditor? • Whether, when the work of the other auditor cannot be used sufficient additional procedures have not been performed regarding the financial information of the component audited by the other auditor, a qualified opinion or disclaimer of opinion has been expressed? • Does the report state clearly the division of responsibility for the		

			financial information of the entity indicating the extent to which the financial information of components audited by the other auditors has been included in the financial information of the entity?		
SA 580	AAS 11	Written representations	• Whether there is sufficient evidence that management acknowledges its responsibility for the appropriate preparation and presentation of financial information? • Whether there is evidence that the management has approved the financial information? • Whether the evidence obtained has been documented? • Whether it is ensured that the auditor's opinion and the auditor's report is		

			dated, after the date of the written representations		
SA 299	AAS 12	Responsibility of Joint Auditors	• Whether the audit work been divided between the joint auditors by mutual discussion? • Is the division of work clearly documented? • In case of differences in opinion with regard to any matters to be covered by the report, has separate reports been prepared to express opinion?		
SA 320	AAS 13	Audit Materiality	• Whether materiality and its relationship with audit risk when conducting an audit has been considered? • Whether the possibility of misstatements of relatively small amounts that, cumulatively, could have a material effect on the financial information has been taken into		

			consideration? • Whether it has been considered whether the effect of aggregate uncorrected misstatements on the financial information is material? • If the management refuses to adjust the financial information and if the effect of uncorrected misstatements is material, has a qualified or adverse opinion, as appropriate been expressed?		
SA 520	AAS 14	Analytical Procedures	• Whether analytical procedures have been applied at the planning and overall review stages of the audit and also at other stages? • If analytical procedures identify significant fluctuations or relationships that are inconsistent with other relevant information or		

			if they deviate from predicted amounts, has an investigation been done and adequate explanations and appropriate corroborative evidence been obtained?		
SA 530	AAS 15	Audit Sampling	• Whether an audit sample has been designed and selected and whether audit procedures have been performed thereon, and sample results have been evaluated so as to provide sufficient appropriate audit evidence? • When designing an audit sample, whether the specific audit objectives, the population from which to sample, and the sample size have been considered? • When determining the sample size, whether it has been taken into consideration the		

			sampling risk, the tolerable error, and the expected error? • Whether the sample items have been selected in such a way that the sample can be expected to be representative of • If the projected error exceeds tolerable error, whether the sampling risk has been reassessed? If that risk is unacceptable, has it been considered to extend the audit procedure or perform alternative audit procedures?		
SA 570	AAS 16	Going Concern	• Whether it has been taken into consideration the appropriateness of the going concern assumption underlying the preparation of the financial statements? • Whether sufficient appropriate audit evidence has been gathered to resolve, to the		

			auditor's satisfaction, the question regarding the entity's ability to continue in operation for the foreseeable future? • If the going concern question is not satisfactorily resolved, whether adequate disclosure has been made in the financial statements? • If adequate disclosure is not made in the financial statements, whether a qualified or adverse opinion, as appropriate has been expressed?		
SA 220	AAS 17	Quality Control for Audit work	• Whether there are well implemented quality control policies and procedures designed to ensure that all audits are conducted in accordance with Auditing and Assurance Standards (AASs)? • Whether, the professional competence of assistants performing work delegated to them		

			has been taken into consideration when deciding the extent of direction, supervision and review appropriate for each assistant? • Whether the work performed by each assistant has been reviewed by personnel of at least equal competence?		
SA 540	AAS 18	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, And Related Disclosures	• whether the accounting estimates in the financial statements are either reasonable in the context of the applicable financial reporting framework, or are misstated • Whether written representations from management/ those charged with governance stating that they believe that the accounting estimates are reasonable have been obtained? • Whether events and transactions occurring		

			after period end but prior to completion of audit have been reviewed?		
SA 560	AAS 19	Subsequent Events	• Whether sufficient appropriate audit evidence has been obtained about events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements? • Whether procedures have been designed to obtain sufficient appropriate audit evidence that all events up to the date of the report that may require adjustment of, or disclosure in, the financial statements have been identified? • When the events which materially affect the		

			financial statements, are properly accounted for in the financial statements? • When the management does not account for such events, is there an expression of a qualified opinion or an adverse opinion, as appropriate in the report?		
SA 250	AAS 21	Consideration of Laws and Regulations in an Audit of Financial Statements	• Whether there is sufficient understanding of the laws and regulations in order to consider them when auditing the assertions related to the determination of the amounts to be recorded and the disclosures to be made? • Whether there are written representations that management has disclosed all known actual or possible non-compliance with laws and regulations whose effects should be		

			considered when preparing financial statements? • When there is awareness of information concerning a possible instance of non-compliance, whether an understanding of the nature of the act and the circumstances in which it has occurred, and sufficient other information to evaluate the possible effect on the financial statements has been obtained? • Whether the findings have been documented and discussed with management? • Whether a report of non-compliance has been made to the management or users of financial statement or regulatory bodies as the case may be?		
SA 510	AAS 22	Initial Engagements –Opening Balances	• If the opening balances contain misstatements		

			which materially affect the financial statements for the current period and the effect of the same is not properly accounted for and adequately disclosed, whether a qualified opinion or an adverse opinion, as appropriate has been expressed?		
SA 550	AAS 23	Related Parties	• Whether a written representation has been obtained from management concerning: (a) the completeness of information provided regarding the identification of related parties; and (b) The adequacy of related party disclosures in the financial statements. • Is there alertness for other material related party transactions? • In examining the identified related party transactions, whether sufficient appropriate		

			audit evidence as to whether these transactions have been properly recorded and disclosed been obtained? • If adequate disclosure regarding related party transactions is not made, whether a qualified opinion or a disclaimer of opinion in the audit report, as may be appropriate has been expressed?		
SA 402	AAS 24	Audit Considerations Relating to Entities Using Service Organizations	• Whether the significance of the activities of the service organization to the client and their relevance to the audit has been determined? • When using the report of the auditor of the service organization whether it has been taken to consideration the professional competence of the auditor and the nature and scope of the work performed by the		

			service organization's auditor.		
SA 710	AAS 25	Comparatives	• Whether the comparatives comply, in all material respects, with the financial reporting framework relevant to the financial statements being audited? • If the prior period report ➢ included a qualified opinion, disclaimer of opinion, or adverse opinion and the matter gave rise to the modification in the audit report whether the corresponding figures have been modified? ➢ When the prior period financial statements are not audited, whether it has been stated in the report that the corresponding figures are unaudited?		
SA 210	AAS 26	Terms of Audit Engagement	• Whether there is an agreement with the client on the terms of engagement? • Whether an engagement		

			letter has been sent before the commencement of the audit? • If there is any change in the terms of the engagement is there an agreement with the client?		
SA 260	AAS 27	Communications of Audit Matters with Those Charged with Governance	• Whether the relevant persons who are charged with governance and with whom audit matters of governance interest are to be communicated been determined? • Whether there has been a communication of audit matters of governance interest on a timely basis? • Whether it has been documented in the working papers the matters communicated and any responses to those matters? • Where matters are communicated orally, have you documented them, and also as to when		

			and to whom they were communicated?		
SA 700	AAS 28	The Auditor's Report on Financial Statements	• Does the audit report contain a clear written expression of opinion on the financial statements taken as a whole? • Does the report have a suitable title? • Does the report identify the financial statements of the entity that have been audited, including the date of and period covered by the financial statements? • Does the report include a statement that the financial statements are the responsibility of the entity's management and a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit? • Does the report describe the scope of audit? • Does the report include	N.A	

			a statement that the audit provides a reasonable basis for his opinion? • Does the report clearly indicate the financial reporting framework used to prepare the financial statements and state an opinion as to whether the financial statements give a true and fair view in accordance with that financial reporting framework and, where appropriate, whether the financial statements comply with the statutory requirements.? • Is the date of the report on the financial statements, the date on which the report is signed expressing an opinion on the financial statements? • Does the report name specific location, which is ordinarily the city where the audit report is		

			signed? • Whenever the opinion expressed is other than unqualified, whether a clear description of all the substantive reasons and, unless impracticable, a quantification of the possible effect(s), individually and in aggregate, on the financial statements been included?		
SA 505	AAS 30	External Confirmations	• Whether the use of external confirmations is necessary to obtain sufficient appropriate audit evidence to support certain financial statement assertions? • Whether there has been a consultation with the management before employing external confirmations? • Whether additional procedures are to be performed if the confirmations alone are		

			not sufficient? • Whether the external confirmation requests been designed to meet the specific audit objectives? • Whether the information from audits of earlier years has been considered? • Whether the confirmation requests are properly addressed and that there is a specific mention to send the replies to him directly? • Whether there is any indication that external confirmations received may not be reliable? • Whether further tests have been conducted to ascertain that the assertions are reliable? • Whether oral confirmations have been documented? • Where there is a discrepancy revealed by the external		

			confirmations, whether the management has been requested to verify and reconcile the discrepancies? • Where the management requests that external confirmations are not taken , has request been taken in writing? • Whether the response to the management request has been documented and whether the impact on the audit report has been considered?		
SRS 4410	AAS 31	Engagements to Compile Financial Information	• Whether there is compliance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India? • Whether a management representation letter has been obtained? • Whether the compiled information appears to be appropriate in form		

			and free from obvious material misstatements. ? • Whether any known departures from the identified framework have been disclosed? • In case the client has no identified financial reporting framework, whether there is a disclosure of the different basis of compilation in the Notes to the Accounts or other compiled financial information as well as the report issued by the accountant on compilation? • Whether the financial statements or other financial information compiled been approved by the client before the compilation report is signed? • Has the client been asked to sign a statement on the face of		

			the accounts retained by the accountant? • Whether the users of the financial statements or other financial information so compiled are aware of the extent of involvement with the accounts so that they do not derive unwarranted assurance? • Has it been ensured that the terms “audit” and auditors fee” are not used in describing the nature of services involving compilation of financial statements or other financial information. • Whether care has been taken that the financial statements or other financial information so compiled are not prepared on the letter-heads or other stationery of the accountant, carrying his (or firm’s) name and		

			address since it is liable to be misinterpreted. • Whether the nature of association with the financial statements and the nature of the work are clear?		
SRS 4400	AAS 32	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information	• Whether there is compliance with the *Code of Ethics,* issued by the Institute of Chartered Accountants of India? • Whether the agreed-upon procedure engagement has been conducted in accordance with this AAS and the terms of the engagement? • Whether it has been ensured with representatives of the entity and other specified parties who will receive copies of the report of factual findings, that there is a clear understanding regarding the agreed	N.A	

			procedures and the conditions of the engagement? • Whether the work has been planned effectively? • Whether all important evidence to support the report on findings has been documented? • Does the report clearly describe the purpose and the agreed-upon procedures of the engagement in sufficient detail so as to enable the reader to understand the nature and the extent of the work performed? • Does the report clearly mention that no audit or review has been preformed?		
SRE 2400	AAS 33	Engagements to Review Financial Statements	• Whether there is compliance with the Code of Ethics issued by the Institute of Chartered Accountants	N.A	

			of India? • Whether a review has been conducted in accordance with this AAS, relevant legislations, terms of review engagement and reporting requirements? • Whether there is an agreement with the client on the terms of the engagement? • In planning a review of financial statements, whether there is knowledge of the business including consideration of the entity's organization, accounting systems, operating characteristics and the nature of its assets, liabilities, revenues and expenses? • When using work performed by another auditor or an expert, whether such work is adequate for the purposes of the review? • Whether all information		

			which is important in providing evidence to support the review report has been documented? • Whether the same materiality considerations have been applied as would be applied if an audit opinion on the financial statements was to be given? • Whether an enquiry has been made about events subsequent to the balance sheet date that may require adjustment of, or disclosure in the financial statements? • If there is reason to believe that the information subject to review may be materially misstated, whether additional or more extensive procedures have been carried out as are necessary to be able to express negative		

			assurance or to confirm that a modified report is required. • Does the review report contain a clear written expression of negative assurance? • whether any information obtained during the review indicates that the financial statements do not give a true and fair view (or 'are not presented fairly, in all material respects') in accordance with the financial reporting framework used for the preparation and presentation of financial statements and relevant statutory requirements, if any? • Whether there is quantification of the possible effects on the financial statements and whether the report contains either a		

			qualified opinion or adverse opinion? • If there has been a material scope limitation, whether there is a description of the limitation and whether either • Express a qualification of the negative assurance provided regarding the possible adjustments to the financial statements that might have been determined to be necessary had the limitation not existed; or • (ii) When the possible effect of the limitation is so significant and pervasive that no level of assurance can be provided, not provide any assurance. • Does the review report		

			contain the following basic elements? o Title o Addressee; o Opening or introductory paragraph including: o Identification of the financial statements on which the review has been performed; and o A statement of the responsibility of the entity's management and the responsibility of the auditor; o Scope paragraph, describing the nature of a review, including: • A reference to this standard applicable to review engagements, or to relevant laws or		

			regulations;
			• A statement that a review is limited primarily to inquiries and analytical procedures; and
			• A statement that an audit has not been performed, that the procedures undertaken provide less assurance than an audit and that an audit opinion is not expressed;
			  ○ Statement of negative assurance;
			  ○ Date of the report;
			  ○ Place; and
			  ○ Signature and membership number assigned by the Institute of Chartered Accountants of India.
			• whether it has been ensured that the date the		

			report is not earlier than the date on which the financial statements are signed or approved by the management?		
SA 501	AAS 34	Audit Evidence – Additional Consideration for Specific Items	• Part A- Attendance at Physical Inventory Counting • Where inventory is material to the financial statements, whether by attendance at physical inventory counting has obtained sufficient appropriate audit evidence regarding its existence and condition? • If unable to attend the physical inventory count on the date planned due to unforeseen circumstances, whether observed some physical counts on an alternative date and where necessary, performed alternative audit procedures to assess		

			whether the changes in inventory between the date of physical count and the period end date are correctly recorded? • If attendance at the physical inventory counting is impracticable, whether alternative procedures provide sufficient appropriate audit evidence of existence and condition of inventory to conclude that no reference need to bee made on a scope limitation? • whether written representation has been obtained from management concerning: o the completeness of information provided regarding the inventory; and o assurance with regard to		

			adherence to laid down procedures for physical inventory count • Where in cases of difficulty in obtaining sufficient appropriate audit evidence concerning the existence of inventory or adequacy of procedures adopted by the management in respect of physical inventory count has a reference to a scope limitation in his audit report been made? • If the inventory is not disclosed appropriately in the financial statements, has a qualified opinion been issued? • Part-B- Inquiry Regarding Litigation and Claims o Whether audit procedures have been carried out in order to		

			become aware of any litigation and claims involving the entity which may have a material effect on the financial statements? ○ Whether an attempt has been made for direct communication with the entity's lawyers and such other professionals to whom the entity engages for litigation and claim? ○ Has a request been made for direct feedback from the entity's lawyers and such other professionals to whom the entity engages for litigation?		

				- If management refuses to give permission to communicate with the entity’s lawyers, whether a qualified opinion or a disclaimer of opinion as the case may be has been given? - Whether a written representation has been obtained from management concerning the completeness and adequacy of information provided regarding the identification of litigation and claims, estimates of financial implications, including costs,		

			etc?
			• Part C- Valuation and Disclosure of Long-Term Investments
			    o Whether audit procedures are designed to obtain sufficient appropriate audit evidence for valuation and disclosure of long term investments?
			    o Whether there is a written representation from management regarding :
			• the completeness of information provided regarding valuation and disclosure of long term investments;
			• the valuation of long term investments in the financial statements including adequacy of provision for diminution in such values, wherever		

			required; and • The intention of the management to continue to hold long-term investments as long-term investments. o If unable to obtain sufficient appropriate audit evidence concerning the existence, valuation of long term investments or if there is a conclusion that their disclosure in the financial statements is not adequate, whether there is a expression of a qualified opinion or a disclaimer of opinion in the audit report, as may be appropriate? • Part D- Segment		

			Information ○ Whether there is sufficient appropriate audit evidence regarding disclosure of segment information in accordance with the applicable identified financial reporting framework? ○ Whether there is a written representation from management concerning: • the completeness of information regarding segments and disclosure thereof; and • appropriateness of the selected segments based on risks and returns; and • The organizational structure of an enterprise and its		

			internal financial reporting system and any deviations there from. ◦ If unable to obtain sufficient appropriate audit evidence concerning segment information or it has been concluded that their disclosure in the financial statements is not adequate, whether there is an expression of a qualified opinion or disclaimer of opinion in the audit report?		
SAE 3400	AAS 35	The Examination of Prospective Financial	• Are the assumptions realistic? • Has sufficient		

		Information	appropriate evidence been obtained? • Has the terms of engagement been clearly agreed with the client? • Have you obtained sufficient level of knowledge of the business to be able to evaluate whether all significant assumptions required for the preparation of the prospective financial information have been identified?		
SA 315		Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment	• Whether any risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels have been identified? • Whether you have obtained an understanding of the following: (a)Relevant industry, regulatory, and other external factors including the applicable financial		

			reporting framework. (b)The nature of the entity, (c)The entity's selection and application of accounting policies, (d)The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement. (e)The measurement and review of the entity's financial performance. • Whether the following have been documented? a)Key elements of the understanding obtained regarding each of the aspects of the entity and its environment and of each of the internal control components; the sources of information from which the understanding was obtained; and the risk assessment procedures performed;		

			b) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level c)The risks identified, and related controls		
SA 330		The Auditor's Responses to Assessed Risk*s*	• Have you obtained sufficient appropriate audit evidence about the assessed risks of material misstatement? • Whether overall responses to address the assessed risks of material misstatement at the financial statement level has been designed and implemented?		

Chapter XI

Specimen checklist for Compliance of Accounting Standards issued by the Institute of Chartered Accountants of India

The following is an illustrative checklist of compliance of all Accounting standards issued by ICAI.

Client Name: ____________________________________

Audit Staff: _____________________________________

Date of Checking_________________________________

		Checklist	*Compliance*	*Effect on auditors report*
	Framework of AS	F1 Whether the financial statements follow the underlying assumptions Accrual basis Going concern Consistency		
		F2 Whether the financial statements have the 4 principal qualitative characteristics of Understandability, Relevance, Reliability and Comparability		
		F3 Whether the enterprise has taken into account the following while preparation of financial statements: Materiality Substance over form Neutrality Prudence Completeness Comparability True and fair view		

		F4 Whether the following constraints to relevant and reliable information have been taken into account? Timeliness Balance between benefit and cost Balance between qualitative characteristics		

AS No.	*Accounting Standard*	*Checklist*	*Compliance Yes/No*	*Effect on auditor's report*
AS 1	Disclosure of Accounting policies	1.1 Whether all significant accounting policies in preparation and presentation of financial statements have been disclosed?		
		1.2 Whether the disclosure forms part of financial statements and is disclosed in one place?		
		1.3 Whether changes in accounting policies that have a material effect in current or future periods is disclosed?		
		1.4 Whether the change if any in the accounting policies in the current period is disclosed to the extent ascertainable? If not, whether the fact is mentioned?		
AS 2	Valuation of Inventories	2.1 Whether inventories are valued at lower or of cost or net realizable		

		value?		
		2.2 Whether the cost of inventories comprised all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition		
		2.3 Whether for inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory?		
		2.4 Whether for items that are interchangeable, the FIFO or weighted average cost formulas is used?		
		2.5 Whether following disclosures are made ? Accounting policy for inventories. ? Total carrying amount and its classifications depending on what is appropriate for the enterprise.		
		2.6 (a) Is physical verification of inventory taken at year end? (b) In arriving at net realizable value, have you ascertained (i) Damaged/obsolete/non-moving stock? (ii) Subsequent sale price after Balance Sheet Date?		

		2.7 In arriving at cost of inventory, whether (b) Inter-divisional profits eliminated? (c) Foreign currency fluctuation excluded and charged as expense in respect of foreign currency loan obtained against stock?		
		2.8 Are the inventory in accounts classified into: (a) Raw material and components? (b) Stores and spares and tools? (c) Work-in-progress? (d) Finished goods?		
AS 3	Cash Flow statement	3.1 Whether enterprise has prepared cash flow statement and presented for each period for which financial statements are presented?		
		3.2 Whether Cash flows statement reports cash flows classified by operating, investing and financing activities?		
		3.3 Whether an enterprise reports cash flows from operating activities using either the direct method or the indirect method?		
		3.4 Whether the enterprise reports separately major classes of gross cash		

		receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows can be reported on a net basis.		
		3.5 Whether cash flows arising from transactions in a foreign currency are recorded in an enterprise's reporting currency?		
		3.6 Whether the effect of changes in exchange rates on cash and cash equivalents held in a foreign currency are reported as a separate part of the reconciliation of the changes in cash and cash equivalents		
		3.7 Whether the cash flows associated with extraordinary items are classified as arising from operating, investing or financing activities and separately disclosed.		
		3.8 Whether cash flows from interest and dividends received and paid are disclosed separately. .		
		3.9 Whether Cash flows arising from taxes on income are separately disclosed and classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities		
		3.10 Whether Investing and financing		

		transactions that do not require the use of cash or cash equivalents are excluded from a cash flow statement and disclosed elsewhere in the financial statements		
		3.11 Whether the enterprise discloses the components of cash and cash equivalents and a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the balance sheet.		
AS 4	Contingencies and Events Occurring After the Balance Sheet Date	4.1 Whether the amount of a contingent loss is provided for by a charge in the statement of profit and loss if: a. It is probable an asset has been impaired or a liability has been incurred as at the balance sheet date, and b. A reasonable estimate of the amount of the resulting loss can be made.		
		4.2 Whether the existence of a contingent loss is disclosed in the financial statements		
		4.3 Whether Contingent gains are		

		recognised in the financial statements		
		4.4 Whether assets and liabilities are adjusted for events occurring after the balance sheet date relating to conditions existing at the balance sheet date or that indicate that the fundamental accounting assumption of going concern (i.e., the continuance of existence or substratum of the enterprise) is not appropriate?		
		4.5 Whether dividends proposed or declared by the enterprise after the balance sheet date but before approval of the financial statements are adjusted?		
		4.6 Whether Disclosure is made of those events occurring after the balance sheet date that represent material changes and commitments affecting the financial position of the enterprise?		
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	5.1 Whether all items of income and expense which are recognised in a period are included in the determination of net profit or loss for the period unless an Accounting Standard requires or permits otherwise?		
		5.2 Whether the net profit or loss discloses on the face of the statement		

		of profit and loss: a. Profit or loss from ordinary activities; and b. Extraordinary items.		
		5.3 Whether items of income and expense within profit or loss from ordinary activities which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items have been disclosed separately?		
		5.4 Whether the nature and amount of prior period items are separately disclosed in the statement of profit and loss?		
		5.5 Whether the effect of a change in an accounting estimate is included in the determination of net profit?		
		5.6 Whether the nature and amount of a change in an accounting estimate which has a material effect in the current period, or which is expected to have a material effect in subsequent periods has been disclosed.		
		5.7 Whether change in an accounting policy has been made only if required by statute or for compliance with an		

		accounting standard or if it is considered that the change would result in a more appropriate presentation of the financial statements of the enterprise?		
		5.8 Whether change in an accounting policy, which has a material effect, and its impact has been disclosed? And whether in cases where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated?		
AS 6	Depreciation Accounting	6.1 Whether depreciation of a depreciable asset is allocated on a systematic basis to each accounting period during the useful life of the asset?		
		6.2 Whether the depreciation method adopted is applied consistently from period to period? Whether change, if any, has been made if required by statute or for compliance with an accounting standard or if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements of the enterprise?		
		6.3 Whether on change in depreciation method, depreciation has been recomputed and the difference is		

		adjusted in the accounts in the statement of profit and loss?		
		6.4 Whether the effect of the change has been quantified and disclosed?		
		6.5 Whether on revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life?		
		6.6 Whether addition or extension, which is an integral part of the existing asset, is depreciated?		
		6.7 Whether on change in historical cost due to increase or decrease in long-term liability on account of exchange fluctuations, price adjustments, changes in duties or similar factors, the depreciation on the revised unamortised depreciable amount is provided prospectively over the residual useful life of the asset?		
		6.8 Where the revaluation of depreciable assets is has a material effect on the amount of depreciation, the same is disclosed separately in the year in which revaluation is carried out?		
		6.9 Whether the net surplus or deficiency, if material on disposal, demolition or destruction of a		

		depreciable asset is disclosed separately		
		6.10 Whether the historical cost (or other amount substituted for historical cost), depreciation and accumulated depreciation is disclosed separately for each class of asset?		
		6.11 Whether depreciation methods and the depreciation rates or the useful lives of the assets are disclosed in the financial statements?		
AS 7	Construction Contracts	7.1 Whether the contract for construction of assets is treated as a separate construction contract when: a. Separate proposals have been submitted for each asset; b. Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and c. The costs and revenues of each asset can be identified.		
		7.2 Whether a group of contracts is		

		treated as a single construction contract when: a. The group of contracts is negotiated as a single package; b. The contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and c. The contracts are performed concurrently or in a continuous sequence.		
		7.3 Whether contract for the construction of the additional asset is treated as a separate construction contract when: a. The asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or b. The price of the asset is negotiated without regard to the original contract price.		
		7.4 Whether the contract revenue and contract costs associated with the construction contract have been recognised as revenue and expenses respectively (by reference to the stage		

		of completion of the contract) if the outcome of a construction contract can be estimated reliably?		
		7.5 Whether expected loss on the construction contract has been recognised as an expense?		
		7.6 When the outcome of a construction contract cannot be estimated reliably: a. Revenue should be recognised only to the extent of contract costs incurred of which recovery is probable; and b. Contract costs should be recognised as an expense in the period in which they are incurred.		
		7.7 Whether revenue and expenses associated with the construction contract have been recognized when uncertainties no longer exist?		
		7.8 Whether the enterprise has disclosed: a. The amount of contract revenue recognised as revenue in the period; b. The methods used to determine the contract revenue recognised in the period; and		

		c. The methods used to determine the stage of completion of contracts in progress.		
		7.9 Whether the enterprise has disclosed: a. The aggregate amount of costs incurred and recognised profits (less recognised losses) upto the reporting date; b. The amount of advances received; and c. The amount of retentions		
		7.10 Whether the enterprise has presented: ? The gross amount due from customers for contract work as an asset; and ? The gross amount due to customers for contract work as a liability		
AS 8	Accounting for Research and Development	8.1 Whether research and development cost have been recognized as per conditions stated in the accounting standard?		
		8.2 Whether legal requirements have been taken into account wherever		

		research and development costs are deferred?		
		8.3 Where the enterprise has chosen to adopt deferral of research and development costs whether the same policy is applied to all such projects that meet the criteria?		
		8.4 If research and development costs of a project are deferred, whether they are allocated on basis stated in the accounting standard and reviewed at the end of each accounting period?		
		8.5 Whether Research and development costs once written off have been reinstated?		
		8.6 Whether research and development costs charged as expense should be disclosed in the profit and loss account for the period?		
		8.7 Whether Deferred research and development expenditure have been separately disclosed in the balance sheet under the head 'Miscellaneous Expenditure'?		
AS 9	Revenue Recognition	9.1 Whether revenue from sales or service transactions is recognised when the requirements of performance set out in the accounting standard are		

		met?		
		9.2 Whether in a transaction involving the sale of goods, performance has been regarded as being achieved on fulfillment of following conditions: i. The seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and ii. No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.		
		9.3 Whether in a transaction involving the rendering of services, performance has been regarded as being achieved when no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering the service?		
		9.4 Whether in a transaction involving the rendering of services performance has been measured either under the		

		completed service contract method or under the proportionate completion method?		
		9.5 Whether revenue arising from the use by others of enterprise resources yielding interest, royalties and dividends has been recognized only when no significant uncertainty as to measurability or collectability exists?		
AS 10	Accounting for Fixed Assets	10.1 Whether book value of a fixed asset has been computed in accordance with this Standard?		
		10.2 Whether the cost price of a purchased asset/ self constructed asset/ exchanged asst is computed in accordance with this standard.		
		10.3 Whether subsequent expenditures related a fixed asset has been added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance?		
		10.4 Whether material items retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and shown separately in the financial statements?		

		10.5 Whether fixed asset have been eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal?		
		10.6 Whether losses arising from the retirement or gains or losses arising from disposal of fixed asset, which is carried at cost, have been recognised in the profit and loss statement?		
		10.7 Whether an increase in book value on account of revaluation has been either: a. Credited directly to owners' interests under the head of revaluation reserve, b. Or to the extent that such increase is related to and not greater than a decrease arising on revaluation previously recorded as a charge to the profit and loss statement, credited to the profit and loss statement.		
		10.8 Whether a decrease in book value on account of revaluation has been either: Charged directly to the profit and loss		

		statement Or to the extent that such a decrease is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, it may be charged directly to that account?		
		10.9 Whether the enterprise has followed the method elaborated in this AS on disposal of a previously revalued item of fixed asset, may be charged directly to that account		
		10.10 Where the consideration for acquisition is not readily determinable (like fixed assets acquired by hire purchase jointly with others or at a consolidated price or goodwill, whether calculation is done in accordance with the standard?		
AS 11	The Effects of Changes in Foreign Exchange Rates	11.1 Whether the standard is applied for: a. In accounting for transactions in foreign currencies; and b. In translating the financial statements of foreign operations.		
		11.2 Whether foreign currency transaction have been recorded, on		

		initial recognition in the reporting currency, by applying the exchange rate prevailing at the date of the transaction?		
		11.3 Whether at the balance sheet date foreign currency item monetary and non-monetary items are recoded in accordance with the methods specified in the standard?		
		11.4 Whether exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they recorded have been dealt with in accordance with standard?		
		11.4 Whether the financial statements of an integral foreign operation as well as a non-integral foreign operation have been recognized in accordance with standard?		
		11.5 Whether on the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation has been recognised as income or as expenses in the same period in which the gain or loss on disposal is recognize?		

		11.6 When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification should be applied from the date of the change in the classification.		
		11.7 Whether for a forward exchange contract or another financial instrument that is in substance a forward exchange contract. The premium or discount arising at the inception of such a forward exchange and exchange differences on such a contract have been recognised in accordance with the standard?		
		11.8 Whether gain or loss on a forward exchange contract have been recognised in accordance with the standard?		
		11.9 Whether the enterprise has disclosed: a. The amount of exchange differences included in the net profit or loss for the period; and b. Net exchange differences accumulated in foreign currency translation reserve as a separate component of shareholders' funds, and a		

		reconciliation of the amount of such exchange differences at the beginning and end of the period.		
		11.10 When the reporting currency is different from the currency of the country in which the enterprise is domiciled, whether the reason for using a different currency has been disclosed?		
		11.11 Whether the enterprise has disclosed: a. The nature of the change in classification; b. The reason for the change; c. The impact of the change in classification on shareholders' funds; and d. The impact on net profit or loss for each prior period presented had the change in classification occurred at the beginning of the earliest period presented.		
As 12	Accounting for Government Grants	12.1 Whether government grants if any have been recognised only after there is reasonable assurance that (i) the enterprise will comply with the conditions attached to them, and (ii)		

		the grants will be received?		
		12.2 Whether Government grants related to fixed assets are presented in the manner specified in the standard?		
		12.3 Where the grant related to a non-depreciable asset requires the fulfillment of certain obligations, whether the grant has been credited to income over the same period over which the cost of meeting such obligations is charged to income?		
		12.4 Whether Government grants related to revenue has been recognised on a systematic basis in the profit and loss statement over the periods to match them with the related costs?		
		12.5 Whether Government grants of the nature of promoters' contribution have been credited to capital reserve?		
		12.6 Whether Government grants in the form of non-monetary assets has been recorded as specified in the schedule?		
		12.7 Whether Government grants that are receivable as compensation for expenses or losses incurred has been recognised and disclosed in the profit		

		and loss statement of the period in which they are receivable?		
		12.8 Whether Government grants that become refundable have been accounted for as an extraordinary item?		
		12.9 Whether the amount refundable in respect of a grant related to revenue/ promoter's contribution has been applied as specified in the standard?		
		12.10 Whether the enterprise has disclosed the following: a. The accounting policy adopted for government grants, including the methods of presentation in the financial statements; b. The nature and extent of government grants recognised in the financial statements, including grants of non-monetary assets given at a concessional rate or free of cost.		
AS 13	Accounting for Investments	13.1 Whether the enterprise has disclosed current investments and long-term investments distinctly in its		

		financial statements?		
		13.2 Whether further classification of current and long-term investments has been done as specified in the statute governing the enterprise. In the absence of a statutory requirement, whether it has been done in accordance with the standard?		
		13.3 Whether the cost of an investment includes acquisition charges such as brokerage, fees and duties?		
		13.4 Whether the acquisition cost of an investment acquired, or partly acquired, by the issue of shares or other securities, or in exchange for another asset, has been determined by reference to the standard?		
		13.5 Whether any investment properties held by the enterprise has been accounted for as long-term investments?		
		13.6 Whether Investments have been carried in the financial statements in accordance with the standard?		
		13.7 Whether any reduction, reversals of such reductions or disposal have been should be charged or credited to the profit and loss statement in accordance with the standard?		

		13.8 Whether The following information has been disclosed in the financial statements: a. The accounting policies for determination of carrying amount of investments; b. Classification of investments as specified in the accounting standard c. The amounts included in profit and loss statement for i. Subsidiary companies), and rentals on investments showing separately such income from long term and current investments. Gross income should be stated, the amount of income tax deducted at source being included under Advance Taxes Paid; ii. Profits and losses on disposal of current investments and changes in the carrying amount of such investments; and		

		iii. Profits and losses on disposal of long term investments and changes in the carrying amount of such investments; b. Significant restrictions on the right of ownership, realisability of investments or the remittance of income and proceeds of disposal; c. The aggregate amount of quoted and unquoted investments, giving the aggregate market value of quoted investments; d. Other disclosures as specifically required by the relevant statute governing the enterprise.		
AS 14	Accounting for Amalgamations	14.1 If there has been an amalgamation whether it satisfies the conditions for amalgamation specified in the standard?		
		14.2 Whether the accounting for amalgamation has been done in accordance with the nature of amalgamation as specified in the standard?		
		14.3 Whether any adjustment to the consideration contingent on one or		

		more future events is done as specified in the standard?		
		14.4 Whether treatment of Reserves specified in a Scheme of amalgamation is in accordance with the statute, if any, and the requisite disclosures were made?		
		14.5 Whether disclosures required by the standard under different methods have been made?		
		14.6 When amalgamation has taken after the Balance Sheet Date, whether disclosure has been made in accordance with AS 4, 'Contingencies and Events Occurring After the Balance Sheet Date?		
AS 15	Accounting for Retirement Benefits in the Financial Statements of Employers	15.1 Whether retirement benefits in the form of provident fund and other defined contribution schemes, the contribution payable by the employer for a year has been charged to the statement of profit and loss for the year.		
		15.2 For gratuity benefit and other defined benefit schemes, whether the accounting treatment followed is the one specified for that type of arrangement?		
		15.3 Whether alterations in the retirement benefit costs arising from -		

		a. Introduction of a retirement benefit scheme for existing employees or making of improvements to an existing scheme, or b. Changes in the actuarial method used or assumptions adopted, have been charged or credited to the statement of profit and loss as they arise in accordance with Accounting Standard (AS) 5, 'Prior Period and Extraordinary Items and Changes in Accounting Policies'		
		15.4 When a retirement benefit scheme is amended with the result that additional benefits are provided to retired employees, whether the cost of the additional benefits has been accounted for in accordance with standard?		
		15.5 Whether the financial statements disclose the method by which retirement benefit costs for the period have been determined?		
AS 16	Borrowing Costs	16.1 Whether the amount of borrowing costs eligible for capitalisation have been determined in accordance with this standard? Costs		

		16.2 Whether other borrowing costs should have been recognised as an expense in the period in which they are incurred?		
		16.3 Whether the method of capitalization of assets acquired is in accordance with this standard?		
		16.4 Whether the specifications mentioned in the standard are followed to determine when to begin, suspend and cease capitalization?		
		16.5 Whether the financial statements disclose: a. The accounting policy adopted for borrowing costs; and b. The amount of borrowing costs capitalised during the period		
AS 17	Segment Reporting	17.1 Whether the enterprise has complied with the requirements of this Statement fully and not selectively?		
		17.2 Whether the dominant source and nature of risks and returns of an enterprise governs the primary segment reporting format?		
		17.3 Whether the enterprise has determined that a segment is reportable in accordance with the standard?		

		17.4 Whether the segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole?		
		17.5 Whether the enterprise has disclosed the following for each reportable segment: a. Segment revenue, classified into segment revenue from sales to external customers and segment revenue from transactions with other segments; b. Segment result; c. Total carrying amount of segment assets total amount of segment liabilities; d. Total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets); e. Total amount of expense included in the segment result for depreciation and amortisation in respect of		

		segment assets for the period; and f. Total amount of significant non-cash expenses, other than depreciation and amortisation in respect of segment assets, that were included in segment expense and, therefore, deducted in measuring segment result.		
AS 18	Related Party Disclosures	Whether the enterprise or transaction falls under category for which no disclosure is required for related party transaction?		
		18.2 Whether name of the related party and nature of the related party relationship where control exists has been disclosed irrespective of whether or not there have been transactions between the related parties.		
		18.3 Whether, in case of transactions, the reporting enterprise has disclosed the following: i. The name of the transacting related party; ii. A description of the relationship between the parties;		

		iii. A description of the nature of transactions; iv. Volume of the transactions either as an amount or as an appropriate proportion; v. Any other elements of the related party transactions necessary for an understanding of the financial statements; vi. The amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and vii. Amounts written off or written back in the period in respect of debts due from or to related parties.		
		18.4 Whether separate disclosure is made where an understanding of the effects of related party transactions on the financial statements of the reporting enterprise is required?		
AS 19	Leases	19.1 Whether the inception of a finance lease, the lessee has recognised the lease as an asset and a		

		liability at a value calculated in accordance to standard?		
		19.2 Whether lease payments and the finance charge has been allocated in accordance to standard?		
		19.3 Whether the depreciation recognised has been calculated on the basis set out in Accounting Standard (AS) 6, Depreciation Accounting?		
		19.4 Whether the lessee should, in addition to the requirements of AS 10, Accounting for Fixed Assets, AS 6, Depreciation Accounting, and the governing statute, has made the following disclosures for finance leases: a. Assets acquired under finance lease as segregated from the assets owned; b. For each class of assets, the net carrying amount at the balance sheet date; c. Reconciliation between the total of minimum lease payments at the balance sheet date and their present value. In addition, an enterprise should disclose the total of minimum		

		lease payments at the balance sheet date, and their present value, for each of the following periods: i. Not later than one year; ii. Later than one year and not later than five years; iii. Later than five years;		
		19.5 Whether lease payments should be apportioned in accordance to standard?		
		19.6 Whether the lessee has, in addition to the requirements of AS 10, Accounting for Fixed Assets, AS 6, Depreciation Accounting, and the governing statute, made the following disclosures for finance leases: d. Assets acquired under finance lease as segregated from the assets owned; e. For each class of assets, the net carrying amount at the balance sheet date; f. Reconciliation between the total of minimum lease payments at the balance sheet date and their present value. In		

		addition, an enterprise should disclose the total of minimum lease payments at the balance sheet date, and their present value, for each of the following periods: i. Not later than one year; ii. Later than one year and not later than five years; iii. Later than five years; g. Contingent rents recognised as expense in the statement of profit and loss for the period; h. The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; and i. A general description of the lessee’s significant leasing arrangements including, but not limited to, the following: i. The basis on which contingent rent payments are determined; ii. The existence and terms of renewal or		

		purchase options and escalation clauses; and restrictions imposed by lease arrangements, such as those concerning dividends		
		19.7 Whether the lessee has made the following disclosures for operating leases: a. The total of future minimum lease payments under non-cancellable operating leases for each of the following periods: i. Not later than one year; ii. Later than one year and not later than five years; iii. Later than five years; b. The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; c. Lease payments recognised in the statement of profit and loss for the period, with separate amounts for minimum lease payments and contingent rents; d. Sub-lease payments received (or receivable) recognised in		

		the statement of profit and loss for the period; e. A general description of the lessee's significant leasing arrangements including, but not limited to, the following: i. The basis on which contingent rent payments are determined; ii. The existence and terms of renewal or purchase options and escalation clauses; and restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.		
		19.8 whether the lessor has recognised assets given under a finance lease in its balance sheet as a receivable at an amount equal to the net investment in the lease?		
		19.9 Whether the recognition of finance income is in accordance with the standard?		
		19.10 Whether The manufacturer or dealer lessor has recognized the transaction is in accordance with the		

		standard?		
		19.11 Whether the lessor has made the following disclosures for finance leases: a. A reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date. In addition, an enterprise should disclose the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for each of the following periods: i. Not later than one year; ii. Later than one year and not later than five years later than five years; b. Unearned finance income; c. The unguaranteed residual values accruing to the benefit of the lessor; d. The accumulated provision for uncollectible minimum lease payments receivable; e. Contingent rents recognised in		

		the statement of profit and loss for the period; f. A general description of the significant leasing arrangements of the lessor; and accounting policy adopted in respect of initial direct costs		
		Leases in the Financial Statements of Lessors		
		Operating Leases		
		19.12 Whether the lessor has presented an asset given under operating lease in its balance sheet under fixed assets?		
		19.13 Whether Lease income from operating leases has been recognised in the statement of profit and loss is in accordance with the standard?		
		19.14 Whether he depreciation of leased assets has been on a basis consistent with the normal depreciation policy of the lessor for similar assets, and the depreciation charge is calculated on the basis set out in AS 6, Depreciation Accounting?		
		19.15 Whether the lessor has, in addition to the requirements of AS 6, Depreciation Accounting and AS 10,		

		Accounting for Fixed Assets, and the governing statute, made the following disclosures for operating leases: a. For each class of assets, the gross carrying amount, the accumulated depreciation and accumulated impairment losses at the balance sheet date; and i. The depreciation recognised in the statement of profit and loss for the period; ii. Impairment losses recognised in the statement of profit and loss for the period; iii. Impairment losses reversed in the statement of profit and loss for the period; b. The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods: i. Not later than one year; ii. Later than one year and not later than five years;		

		iii. Later than five years; c. Total contingent rents recognised as income in the statement of profit and loss for the period; d. A general description of the lessor's significant leasing arrangements; and accounting policy adopted in respect of initial direct costs		
		19.16 Whether in a sale and leaseback transaction results in a finance lease, any excess or deficiency of sales proceeds over the carrying amount is in accordance with the standard?		
AS 20	Earnings per share	20.1 whether an enterprise has present basic and diluted earnings per share on the face of the statement of profit and loss for each class of equity shares that has a different right to share in the net profit for the period?		
		20.2 Whether the enterprise has presented basic and diluted earnings per share, even if the amounts disclosed are negative (a loss per share).		
		20.3 Whether for the purpose of calculating basic earnings per share,		

		the number of equity shares and the net profit or loss for the period attributable to equity shareholders have been calculated in accordance with the standard?		
		20.4 Whether the weighted average number of equity shares outstanding during the period and for all periods presented have been adjusted for events, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources?		
		20.5 Whether for the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period have been adjusted for the effects of all dilutive potential equity shares?		
		20.6 Whether for the purpose of calculating diluted earnings per share, number of equity shares and the amount of net profit or loss for the period attributable to equity shareholders, as calculated is in		

		accordance with the standard?		
		20.7 Whether potential equity shares are treated as dilutive only when, their conversion to equity shares would decrease net profit per share from continuing ordinary operations?		
		20.8 Where the number of equity or potential equity shares outstanding increases due to bonus issue or share split or decreases as a result of a reverse share split (consolidation of shares), check whether the calculation of basic and diluted earnings per share has been adjusted for all the periods presented and whether the fact has been disclosed?		
		20.8 Whether the enterprise has disclosed the following: i. Where the statement of profit and loss includes extraordinary items, the enterprise should disclose basic and diluted earnings per share computed on the basis of earnings excluding extraordinary items (net of tax expense); and (a) The amounts used as the numerators in calculating basic and		

		diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period; (b) the weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other; and (c) the nominal value of shares along with the earnings per share figures		
		20.9 Whether the enterprise has disclosed the following: a. The amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period; b. The weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other; and c. The nominal value of shares along with the earnings per		

		share figures.		
AS 21	Consolidated Financial Statements	21.1 Whether the Statement has been applied in the preparation and presentation of consolidated financial statements for a group of enterprises under the control of a parent?		
		21.2 Whether the Statement has been applied in accounting for investments in subsidiaries in the separate financial statements of a parent?		
		21.3 Whether the parent enterprise presents these statements in addition to its separate financial statements?		
		21.4 Whether the parent enterprise has presented consolidated financial statements, consolidates all subsidiaries, domestic as well as foreign, other than those permitted to be excluded?		
		21.5 Whether the consolidated financial statements, the financial statements of the parent and its subsidiaries has been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses:		

		21.6 Whether Intragroup balances and intragroup transactions and resulting unrealised profits or Unrealised losses have been eliminated unless cost cannot be recovered		
		21.7 Whether the financial statements used in the consolidation have been drawn up to the same reporting date? If no so, whether adjustments have been made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statement?		
		21.8 Whether consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances? If it is not practicable to do so, whether that fact along with the details has been disclosed?		
		21.9 Whether Minority interests have been presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders?		
		21.10 Whether in a parent's separate financial statements, investments in subsidiaries have been accounted for		

		in accordance with Accounting Standard (AS) 13, Accounting for Investments.		
		21.11 Whether the following disclosures have been made: a. In consolidated financial statements a list of all subsidiaries including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; b. In consolidated financial statements, where applicable: i. The nature of the relationship between the parent and a subsidiary, if the parent does not own, directly or indirectly through subsidiaries, more than one-half of the voting power of the subsidiary; ii. The effect of the acquisition and disposal of subsidiaries on the financial position at the reporting		

		date, the results for the reporting period and on the corresponding amounts for the preceding period; and iii. The names of the subsidiary (ies) of which reporting date(s) is/are different from that of the parent and the difference in reporting dates		
AS 22	Accounting for Taxes on Income	22.1 Whether tax expense for the period, comprising current tax and deferred tax, has been included in the determination of the net profit or loss for the period?		
		22.2 Whether deferred tax has been recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets set out in the standard?		
		22.3 Whether the enterprise unabsorbed depreciation or carry forward of losses under tax laws it has recognised deferred tax assets only to the extent that there is *virtual certainty and evidence* that sufficient future taxable income will be available		

		for realisation?		
		22.4 In other cases, whether the enterprise has recognised and carried deferred tax assets only to the extent that there is a *reasonable* certainty that sufficient future taxable income will be available for realisation		
		22.5 Whether Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws?		
		22.6 Whether deferred tax assets and liabilities have been measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date?		
		22.7 Whether the carrying amount of deferred tax assets has been reviewed at each balance sheet date?		
		22.8 Whether the enterprise has offset assets and liabilities representing current tax if the enterprise: i. Has a legally enforceable right to set off the recognised amounts; and ii. Intends to settle the asset and the liability on a net basis.		
		22.9 Whether the enterprise has offset		

		deferred tax assets and deferred tax liabilities if: a. The enterprise has a legally enforceable right to set off assets against liabilities representing current tax; and b. The deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.		
		22.10 Whether Deferred tax assets and liabilities have been distinguished from assets and liabilities representing current tax for the period and disclosed under a separate heading in the balance sheet?		
		22.11 Whether the break-up of deferred tax assets and deferred tax liabilities into major components of the respective balances has been disclosed in the notes to accounts?		
		22.12 Whether the enterprise has disclosed the nature of the evidence supporting the recognition of deferred tax assets should be disclosed, if an enterprise has unabsorbed depreciation		

		or carry forward of losses under tax laws?		
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	23.1 Whether this standard has been applied in accounting for investments in associates in the preparation and presentation of consolidated financial statements by an investor?		
		23.2 Whether the enterprise has accounted for an investment in an associate in accordance with the standard?		
		23.3 Whether Goodwill/capital reserve arising on the acquisition of an associate by an investor has been included in the carrying amount of investment in the associate and disclosed separately?		
		23.4 Whether while accounting for investment in an associate, the enterprise has made adjustments as provided in the standards?		
		23.5 Whether the enterprise has provided an appropriate listing and description of associates including the proportion of ownership interest and, if different, the proportion of voting power held in the consolidated financial statements?		

		23.6 Whether investments in associates accounted for using the equity method have been classified as long-term investments and disclosed separately in the consolidated balance sheet?		
		23.7 Whether the enterprise has disclosed the name(s) of the associate(s) of which reporting date(s) is/are different from that of the financial statements of an investor and the differences in reporting dates?		
		23.8 When an associate uses accounting policies other than those adopted for the consolidated financial statements for like transactions and events and it is not practicable to make appropriate adjustments to the associate's financial statements, whether the fact has been disclosed along with a brief description of the differences in the accounting policies?		
AS 24	Discontinuing Operations	24.1 Whether the enterprise has applied the principles of recognition and measurement that are set out in other Accounting Standards for the purpose of deciding as to when and how to recognise and measure the changes in assets and liabilities and the revenue, expenses, gains, losses		

		and cash flows relating to a discontinuing operation?		
		24.2 Whether the enterprise has disclosed all the information relating to a discontinuing operation in its financial statements?		
		24.3 Whether an enterprise has disclosed all the information required under the standard while disposing of or settling liabilities attributable to a discontinuing operation or enters into binding agreements for the sale of such assets or the settlement of such liabilities?		
		24.4 Whether the enterprise has disclosed significant changes in the amount or timing of cash flows relating to the assets to be disposed or liabilities to be settled and the events causing those changes?		
		24.5 If an enterprise abandons or withdraws from a plan that was previously reported as a discontinuing operation, whether that fact, reasons therefore and its effect have been disclosed?		
		24.6 Whether disclosures required by this Statement have been presented separately for each discontinuing operation?		

		24.7 Whether the following disclosures have been shown on the face of the statement of profit and loss: a. The amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto (paragraph 20 (g)); and b. The amount of the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation (paragraph 23 (a))		
		24.8 Whether disclosures in an interim financial report in respect of a discontinuing operation have been made in accordance with AS 25, Interim Financial Reporting, including: a. Any significant activities or events since the end of the most recent annual reporting period relating to a discontinuing operation; and		

		b. Any significant changes in the amount or timing of cash flows relating to the assets to be disposed or liabilities to be settled.		
AS 25	Interim Financial Reporting	25.1 Whether the interim financial report includes, at a minimum, the following components: a. Condensed balance sheet; b. Condensed statement of profit and loss; c. Condensed cash flow statement; and d. Selected explanatory notes.		
		25.2 Whether the form and content of interim financial report, conforms to the requirements as applicable to annual complete set of financial statements.		
		25.3 If an enterprise prepares and presents a set of condensed financial statements in its interim financial report, whether those statements should include, at a minimum, each of the headings and sub-headings that were included in its most recent annual financial statements and the selected explanatory notes as required by this Statement?		

		25.4 If an enterprise presents basic and diluted earnings per share in its annual financial statements, whether basic and diluted earnings per share is presented in accordance with AS 20 on the face of the statement of profit and loss, complete or condensed, for an interim period?		
		25.5 Whether the enterprise has included the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report: a. A statement that the same accounting policies are followed in the interim financial statements as those followed in the most recent annual financial statements or, if those policies have been changed, a description of the nature and effect of the change; b. Explanatory comments about the seasonality of interim operations; c. The nature and amount of items affecting assets, liabilities, equity, net income,		

		or cash flows that are unusual because of their nature, size, or incidence (see paragraphs 12 to 14 of Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies); d. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period; e. Issuances, buy-backs, repayments and restructuring of debt, equity and potential equity shares; f. Dividends, aggregate or per share (in absolute or percentage terms), separately for equity shares and other shares; g. Segment revenue, segment capital employed (segment assets minus segment liabilities) and segment result		

		for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting; h. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period; i. The effect of changes in the composition of the enterprise during the interim period; and j. Material changes in contingent liabilities since the last annual balance sheet date.		
		25.6 Whether the interim reports include interim financial statements (condensed or complete) for periods as follows: a. Balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding financial year;		

		b. Statements of profit and loss for the current interim period and cumulatively for the current financial year to date, with comparative statements of profit and loss for the comparable interim periods (current and year-to-date) of the immediately preceding financial year; c. Cash flow statement cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.		
		25.7 Whether materiality has been assessed in deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes?		
		25.8 If an estimate of an amount reported in an interim period is changed significantly during the final		

		interim period of the financial year but a separate financial report is not prepared and presented for that final interim period, the nature and amount of that change in estimate should be disclosed in a note to the annual financial statements for that financial year.		
		25.9 Whether the enterprise has applied the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the annual financial statements that are to be reflected in the next annual financial statements?		
		25.10 whether the enterprise has taken care to ensure that the measurement procedures to be followed in an interim financial report ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the enterprise is appropriately disclosed?		
		25.11 Whether changes in accounting policy, other than one for which the transition is specified by an		

		Accounting Standard, have been reflected by restating the financial statements of prior interim periods of the current financial year?		
AS 26	Intangible Assets	26.1 Whether the enterprise has recognised an intangible asset if, and only if: a. It is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and b. The cost of the asset can be measured reliably		
		26.2 Whether the enterprise has assessed the probability of future economic benefits using reasonable and supportable assumptions that represent best estimate of the set of economic conditions that will exist over the useful life of the asset?		
		26.3 The enterprise has not recognised an internally generated intangible asset or intangible asset arising from research (or from the research phase of an internal project) or Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance		
		26.4 Whether the enterprise has recognised an intangible asset from a		

		development project only on satisfactions of conditions listed in the standard?		
		26.5 Whether the enterprise has recognised expenditure on an intangible item as an expense when it is incurred unless: a. It forms part of the cost of an intangible asset that meets the recognition criteria; or b. The item is acquired in an amalgamation in the nature of purchase and cannot be recognised as an intangible asset.		
		26.6 Whether expenditure on an intangible item that was initially recognised as an expense by a reporting enterprise in previous annual financial statements or interim financial reports has been recognised as part of the cost of an intangible asset at a later date?		
		26.7 Whether subsequent expenditure on an intangible asset after its purchase or its completion has been recognised only on satisfaction of conditions specified in the standard?		
		26.8 Whether after initial recognition, an intangible asset is carried at its cost		

		less any accumulated amortisation and any accumulated impairment losses?		
		26.9 Whether the depreciable amount of an intangible asset is allocated on a systematic basis over the best estimate of its useful life?		
		26.10 If control over the future economic benefits from an intangible asset is achieved through legal rights that have been granted for a finite period, whether the useful life of the intangible asset exceeds the period of the legal rights only if: a. The legal rights are renewable; and b. Renewal is virtually certain.		
		26.11 Whether the amortisation method used is in accordance with the standard?		
		26.12 Whether the enterprise hold the residual value of an intangible asset as zero unless it satisfies the criteria laid down in the standard?		
		26.13 Whether the enterprise reviews he amortisation period and the amortisation method should be reviewed at least at each financial year-end?		
		26.14 Whether the enterprise estimates		

		the recoverable amount of the following intangible assets at least at each financial year end even if there is no indication that the asset is impaired: a. An intangible asset that is not yet available for use; and b. An intangible asset that is amortised over a period exceeding ten years from the date when the asset is available for use. c. The recoverable amount should be determined under Accounting Standard on Impairment of Assets and impairment losses recognised accordingly.		
		26.15 Whether the enterprise derecognises (eliminated from the balance sheet) on disposal or when no future economic benefits are expected from its use and subsequent disposal?		
		26.16 Whether the enterprise determines the gains or losses arising from the retirement or disposal of an intangible asset and recognises them as income or expense in the statement of profit and loss?		

		26.17 whether the financial statements discloses the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: a. The useful lives or the amortisation rates used; b. The amortisation methods used; c. The gross carrying amount and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; d. A reconciliation of the carrying amount at the beginning and end of the period showing: i. Additions, indicating separately those from internal development and through amalgamation; ii. Retirements and disposals; iii. Impairment losses recognised in the		

		statement of profit and loss during the period (if any); iv. Impairment losses reversed in the statement of profit and loss during the period (if any); v. Amortisation recognised during the period; and ? Other changes in the carrying amount during the period.		
		26.18 Whether the financial statements also disclose: a. If an intangible asset is amortised over more than ten years, the reasons why it is presumed that the useful life of an intangible asset will exceed ten years from the date when the asset is available for use. b. A description, the carrying amount and remaining amortisation		

		period of any individual intangible asset that is material to the financial statements of the enterprise as a whole; c. The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; and d. The amount of commitments for the acquisition of intangible assets		
		26.19 Whether the financial statements disclose the aggregate amount of research and development expenditure recognised as an expense during the period?		
AS 27	Financial Reporting of Interests in Joint Ventures	27.1 Whether the Statement is applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors?		
		27.2 Whether in respect of its interests		

		in jointly controlled operations, a venturer recognises in its separate financial statements and consequently in its consolidated financial statements: a. The assets that it controls and the liabilities that it incurs; and b. The expenses that it incurs and its share of the income that it earns from the joint venture.		
		27.3 Whether in respect of its interest in jointly controlled assets, a venturer recognises, in its separate financial statements, and consequently in its consolidated financial statements: a. Its share of the jointly controlled assets, classified according to the nature of the assets; b. Any liabilities which it has incurred; c. Its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; d. Any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses		

		incurred by the joint venture; and e. Any expenses which it has incurred in respect of its interest in the joint venture.		
		27.4 whether in a venturer's separate financial statements, interest in a jointly controlled entity has been accounted for as an investment in accordance with Accounting Standard (AS) 13, Accounting for Investments?		
		27.4 Whether in its consolidated financial statements, a venturer reports its interest in a jointly controlled entity as specified in the standard and continues to do so till the specified conditions cease?		
		27.5When a venturer contributes or sells assets to a joint venture, whether the transaction is accounted for in accordance with the standard?		
		27.6 Whether purchase of asset by venturer is accounted for in accordance with the standard?		
		27.7 Whether an investor in a joint venture, which does not have joint control, reports its interest in a joint venture in its consolidated financial statements in accordance with Accounting Standard (AS) 13,		

		Accounting for Investments, Accounting Standard (AS) 21, Consolidated Financial Statements or Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, as appropriate?		
		27.8 Whether in the separate financial statements of an investor, the interests in joint ventures is accounted for in accordance with Accounting Standard (AS) 13, Accounting for Investments?		
		27.9 Whether operators or managers of a joint venture account for any fees in accordance with Accounting Standard (AS) 9, Revenue Recognition?		
		27.10 whether a venturer has disclosed the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities: a. Any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities which have been incurred jointly with other venturers;		

		b. Its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and c. Those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.		
		27.11 Whether a venturer has disclosed the aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments: a. Any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and b. Its share of the capital commitments of the joint ventures themselves		

		27.12 Whether the venturer has disclosed a list of all joint ventures and description of interests in significant joint ventures?		
		27.13 whether the venturer has disclosed, in its separate financial statements, the aggregate amounts of each of the assets, liabilities, income and expenses related to its interests in the jointly controlled entities?		
AS 28	Impairment of Assets	28.1 Whether the enterprise has assessed at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, whether the enterprise has estimated the recoverable amount of the asset?		
		28.2 Whether value in use has been calculated in accordance with the standard?		
		28.3 Whether estimates of future cash flows has been calculated in accordance with the standard? 28.4Whether estimated Future cash flows include inflows or outflows prohibited by the standard?		
		28.5 Whether the estimate of net cash		

		flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that an enterprise expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal?		
		28.6 Whether the discount rate(s) is a pre tax rate(s) that reflect(s) current market assessments of the time value of money and the risks specific to the asset?		
		28.7 Whether an impairment loss is e recognised as an expense in the statement of profit and loss immediately, unless the asset is carried at revalued amount in accordance with another Accounting Standard (see Accounting Standard (AS) 10, Accounting for Fixed Assets), in which case any impairment loss of a revalued asset is to be treated as a revaluation decrease under that Accounting Standard?		
		28.8 Whether after the recognition of an impairment loss, the depreciation (amortisation) charge for the asset has been adjusted in future periods to allocate the asset's revised carrying		

		amount, less its residual value (if any), on a systematic basis over its remaining useful life?		
		28.9 whether cash-generating units have been identified consistently from period to period for the same asset or types of assets, unless a change is justified?		
		28.10 Whether for testing a cash-generating unit for impairment, an enterprise has applied the methods stated in the standard?		
		28.11 Whether an impairment loss has been recognised for a cash-generating unit if, and only if, its recoverable amount is less than its carrying amount and allocated in accordance with the standard?		
		28.13 Whether the enterprise assesses at each balance sheet date, any indication of impairment loss recognised for an asset in prior accounting periods, which may no longer exist or may have decreased?		
		28.14 Whether the enterprise has reversed an impairment loss recognised for an asset in prior accounting periods if there has been a change in the estimates of cash inflows, cash outflows or discount		

		rates used to determine the asset's recoverable amount since the last impairment loss was recognized?		
		28.15 whether reversal of an impairment loss for a cash-generating unit is allocated in the order specified in the standard?		
		28.16 Whether for each class of assets, the financial statements discloses: a. The amount of impairment losses recognised in the statement of profit and loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are included; b. The amount of reversals of impairment losses recognised in the statement of profit and loss during the period and the line item(s) of the statement of profit and loss in which those impairment losses are reversed; c. The amount of impairment losses recognised directly against revaluation surplus during the period; and		

		d. The amount of reversals of impairment losses recognised directly in revaluation surplus during the period		
		28.17 If the enterprise that applies AS 17, Segment Reporting, whether it discloses the following for each reportable segment based on an enterprise's primary format (as defined in AS 17): a. The amount of impairment losses recognised in the statement of profit and loss and directly against revaluation surplus during the period; and b. The amount of reversals of impairment losses recognised in the statement of profit and loss and directly in revaluation surplus during the period.		
		28.18 If an impairment loss for an individual asset or a cash-generating unit is recognised or reversed during the period and is material to the financial statements of the reporting enterprise as a whole, whether the enterprise has disclosed: a. The events and circumstances		

		that led to the recognition or reversal of the impairment loss; b. The amount of the impairment loss recognised or reversed; c. For an individual asset: i. The nature of the asset; and ii. The reportable segment to which the asset belongs, based on the enterprise's primary format (as defined in AS 17, Segment Reporting); d. For a cash-generating unit: i. A description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, a reportable segment as defined in AS 17 or other); ii. The amount of the impairment loss recognised or reversed by class of assets and		

		by reportable segment based on the enterprise's primary format (as defined in AS 17); and iii. If the aggregation of assets for identifying the cash generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), the enterprise should describe the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; e. Whether the recoverable amount of the asset (cash-generating unit) is its net selling price or its value in use; f. If recoverable amount is net selling price, the basis used to determine net selling price (such as whether selling price was determined by reference to an active market or in some		

		other way); and g. If recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.		
AS 29	Provisions, Contingent Liabilities and Contingent Assets	29.1 Whether a provision has been recognised when: a. An enterprise has a present obligation as a result of a past event; b. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c. A reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision should be recognised.		
		29.2 Whether the enterprise has recognised a contingent asset?		
		29.3 Whether the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date?		

		29.4 Whether the risks and uncertainties that surround many events and circumstances have been taken into account in reaching the best estimate of a provision?		
		29.5 Whether future events that may affect the amount required to settle an obligation have been reflected in the amount of a provision where there is sufficient objective evidence that they will occur?		
		29.6 Whether gains from the expected disposal of assets have been taken into account in measuring a provision?		
		29.7 Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, whether the reimbursement is recognised if, and only if, it is virtually certain that reimbursement will be received if the enterprise settles the obligation?		
		29.8 whether provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate?		
		29.9 Whether a provision has been used only for expenditures for which the provision was originally		

		recognized?		
		29.10 Whether provisions have been be en recognised for future operating losses?		
		29.11 Whether a restructuring provision includes only the direct expenditures arising from the restructuring which are those that are both: a. Necessarily entailed by the restructuring; and b. Not associated with the ongoing activities of the enterprise.		
		29.12 Whether for each class of provision, an enterprise discloses: a. The carrying amount at the beginning and end of the period; b. Additional provisions made in the period, including increases to existing provisions; c. Amounts used (i.e. incurred and charged against the provision) during the period; and d. Unused amounts reversed during the period.		

		29.13 Whether the enterprise has disclosed the following for each class of provision: a. A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; b. An indication of the uncertainties about those outflows. c. The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement		
		29.14 Whether the enterprise has disclosed for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable: a. An estimate of its financial effect, b. An indication of the uncertainties relating to any outflow; and c. The possibility of any reimbursement.		

		29.15Where any of the information required by the standard is not disclosed because it is not practicable to do so, whether that fact is stated?		
AS 30	Financial Instruments: Recognition and Measurement	30.1 In case, the entity use categories for its financial assets other than those defined in paragraph 8.2 to 8.5 of AS 30 when presenting information on the face of the financial statements, are information required by AS 32 presented in notes? 30.2 For a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities, are the requirement in paragraph 99(b) of AS 30 (relating to the accounting of the gain or loss on hedged item attributable to hedged risk) met by presenting the gain or loss attributable to the hedged item either: a) in a single separate line item within assets, for those repricing time periods for which the hedged item is an asset? or b) in a single separate line item within liabilities, for those		

		repricing time periods for which the hedged item is a liability.		
AS 31	Financial Instruments: Presentation	**For liabilities and equity** 31.1 On initial recognition, does the issuer of a financial instrument classify the instrument or its component parts as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than the legal form, and in accordance with the definitions of a financial liability, a financial asset and an equity instrument? 31.2When an issuer applies the definitions in paragraph 7 of AS 31 to determine whether a financial instrument is an equity instrument rather than a financial liability, are both conditions (a) and (b) below met? a) the instrument includes no		

		contractual obligation: i) to deliver cash or another financial asset to another entity: or ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; and b) if the instrument will or may be settled in the issuer's own equity instruments, it is: i) a non-derivative instrument that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. **For compound financial instruments** 31.3 Does the issuer of a non-		

		derivative financial instrument evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. 31.4 Are such components classified separately as financial liabilities, financial assets or equity instruments in accordance with paragraph 32 of AS 31 **For treasury shares** 31.5 If an entity has reacquired the entity's own equity instruments are those treasury shares deducted from equity? 31.6 Are gain or loss recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments? 31.7 Are consideration paid or		

		received recognised directly in equity? 31.8 Are the amount of treasury shares held is disclosed separately, either on the face of the balance sheet or in the notes? 31.9 Does the entity makes appropriate disclosures in accordance with AS 18 Related Party Disclosures in case it reacquires its own equity instruments from related parties? **For Interest, dividends, losses and gains** 31.10 Are interest, dividends, losses and gains relating to a financial instrument or a component of a financial instrument that is a financial liability recognised as income or expense in profit or loss? 31.11 Are distributions to holders of an equity instrument debited by		

		the entity directly to equity, net of any related income tax benefit? 31.12 Are transaction costs of an equity transaction accounted for as a deduction from equity, net of any related income tax benefit? 31.13 Are the costs of an equity transaction that is abandoned recognised as an expense? 31.14 Whether the transaction costs related to the issue of a compound financial instrument allocated to the liability and equity components of the instrument in proportion to the allocation of the proceeds? 31.15 In case, the transaction costs relate jointly to more than one transaction, are they allocated to the transactions using a basis of allocation that is rational and		

		consistent with similar transactions? 31.16 Are the amount of transaction costs accounted for as a deduction from equity in the period disclosed? 31.17 Are the dividends that are classified as an expense, presented in the income statement either with interest on other liabilities or as a separate item? 31.18 Are gains and losses related to changes in the carrying amount of a financial liability recognised as income or expense in profit or loss even when they relate to an instrument that includes a right to the residual interest in the assets of the entity in exchange for cash or another financial asset? **For offsetting a financial asset and a**		

		financial liability 31.19 Are both the conditions as mentioned below are met before financial asset and a financial liability are offset and the net amount presented in the balance sheet, a) Does entity currently has a legally enforceable right to set off the recognised amounts? and b) Does the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously?		
AS 32	Financial Instruments: Disclosures	**For classes of financial instruments and level of disclosure** 32.1 When AS 32 requires disclosures by class of instrument, has the entity grouped financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments? 32.2 When AS 32 requires disclosure		

		by class of instrument, has the entity provided sufficient information to permit reconciliation to the line items presented in the balance sheet? **Significance of financial instruments for financial position and performance** 32.3 Does the entity disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance? **For categories of financial assets and financial liabilities** 32.4 Are the carrying amounts of each of the following categories, as defined in AS 30 Financial Instruments: Recognition and Measurement, disclosed either on the face of the balance sheet or in the notes? a) financial assets at fair value through profit or loss, showing separately: i) those designated as such upon initial recognition; and		

		ii) those classified as held for trading in accordance with IAS 39; b) held-to-maturity investments; c) loans and receivables; available-for-sale financial assets; d) financial liabilities at fair value through profit or loss, showing separately: i) those designated as such upon initial recognition; and ii) those classified as held for trading in accordance with AS 30; and e) financial liabilities measured at amortised cost. **For financial assets or financial liabilities at fair value through profit or loss** 32.5 Where the entity designates a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, does it disclose: a) the maximum exposure to credit risk of the loan or receivable (or group of loans or		

		receivables) at the reporting date; b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk; c) the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset determined either: i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset; and d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred		

		during the period and cumulatively since the loan or receivable was designated at fair value through profit or loss. 32.6 Where the entity has designated a financial liability as at fair value through profit or loss in accordance with AS 30, does it disclose: a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either: i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability; and b) the difference between the financial liability's carrying amount and the amount the		

		entity would be contractually required to pay at maturity to the holder of the obligation. 32.7 Does the entity disclose: a) the methods used to determine the amount of change that is attributable to changes in credit risk in compliance with the requirements in paragraphs 9© and 10(a) of AS 32 (see above); and b) if the entity believes that the disclosure it has given to comply with the requirements in paragraphs 9© or 10(a) of AS 32 does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant. **For reclassification** 32.8 In case the entity has reclassified a financial asset as one measured at cost or amortised cost, rather than at fair value; or at fair value, rather than at cost or amortised cost, does it		

		disclose the amount reclassified into and out of each category and the reason for that reclassification? **For derecognition** 32.9 Where the entity has transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition, does the entity disclose the following for each class of such financial assets: a) the nature of the assets not 219ecognize219ed; b) the nature of the risks and rewards of ownership to which the entity remains exposed; c) when the entity continues to 219ecognize all of the assets, the carrying amounts of the assets and of the associated liabilities; and d) when the entity continues to 219ecognize the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to		

		220ecognize, and the carrying amount of the associated liabilities? **For collateral** 32.10 Does the entity disclose: a) the carrying amount of financial assets it has pledged as collateral for either liabilities or contingent liabilities, including amounts that have been reclassified in the balance sheet separately from other assets as the transferee has the right to sell or repledge, in accordance with AS 30; and b) the terms and conditions relating to its pledge? 32.11 When the entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, does it disclose: a) the fair value of such collateral held; b) the fair value of any such collateral sold or repledged,		

		and whether the entity has an obligation to return it; and c) the terms and conditions associated with its use of the collateral? **For allowance account for credit losses** 32.12 When financial assets are impaired by credit losses and the entity records the impairment in a separate account rather than directly reducing the carrying amount of the asset, does it disclose a reconciliation of changes in that account during the period for each class of financial assets? **For compound financial instruments with multiple embedded derivatives** 32.13 In case where the entity has issued an instrument that contains both a liability and an equity component, and the instrument has multiple embedded derivatives whose values are interdependent, does it disclose the existence of		

		those features? **For defaults and breaches** 32.14 Does the entity disclose the following for loans payable recognised at the reporting date: a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable; b) the carrying amount of the loans payable in default at the reporting date; and c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue? 32.15 Where during the period, there were breaches of loan agreement terms other than those described in paragraph 18 of AS 32 (see above), does entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless		

		the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date)? **For Income statement and equity** **For items of income, expense, gains or losses** 32.16 Does the entity disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: a) net gains or net losses on: i) financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading; ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised directly in equity during the period and the amount removed from equity		

		and recognised in profit or loss for the period; iii) held-to-maturity investments; iv) loans and receivables; and v) financial liabilities measured at amortised cost; b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss; c) fee income and expense (other than amounts included in determining the effective interest rate) arising from: i) financial assets or financial liabilities that are not at fair value through profit or loss; and ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions; d) interest income on impaired financial assets accrued in		

		accordance with AS 30; and e) the amount of any impairment loss for each class of financial asset? **For other disclosures** **For Accounting policies** 32.17 Does the entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements? **For hedge accounting** 32.18 Does the entity disclose the following separately for each type of hedge (i.e. fair value hedges, cash flow hedges, and hedges of net investments in foreign operations): a) a description of each type of hedge; b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting		

		date; and c) the nature of the risks being hedged? 32.19 Does the entity disclose the following in respect of cash flow hedge a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss; b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur; c) the amount that was recognised in equity during the period; d) the amount that was removed from equity and included in profit or loss for the period, showing the amount included in each line item in the income statement; and e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose		

		acquisition or incurrence was a hedged highly probable forecast transaction? 32.20 Does the entity disclose separately: a) in fair value hedges, gains or losses: i) on the hedging instrument; and ii) on the hedged item attributable to the hedged risk; b) in cash flow hedges, the ineffectiveness recognised in profit or loss; and c) for hedges of net investments in foreign operations, the ineffectiveness recognised in profit or loss? **For fair value** 32.21 Except as set out in paragraph 29 of AS 32 (see below), for each class of financial assets and financial liabilities, does the entity disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount? 32.22 Does the entity disclose:		

		a) the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities; b) whether fair values are determined, in whole or in part, directly by reference to published price quotations in an active market or are estimated using a valuation technique ; c) whether the fair values recognised or disclosed in the financial statements are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data; and d) if paragraph 27(c) of AS 32 applies (see above), the total amount of the change in fair value estimated using such a		

		valuation technique that was recognised in profit or loss during the period? 32.23 In the circumstances described in paragraph 27(c) of AS, for fair values that are recognised in the financial statements, if changing one or more of those assumptions to reasonably possible alternative assumptions would change fair value significantly does the entity state this fact and disclose the effect of those changes? 32.24 If a difference exists between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique, does the entity disclose, by class of financial instrument: a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price; and the aggregate		

		difference yet to be recognised in profit or loss at the beginning and end of the period together with a reconciliation of changes in the balance of this difference? 32.25 In the cases described in paragraphs 29(b) and (c) of AS 32 where fair value need not be given as they cannot be determined, does the entity disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including: a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably; b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;		

		c) information about the market for the instruments; d) information about whether and how the entity intends to dispose of the financial instruments; and e) if financial instruments whose fair value previously could not be reliably measured are 231ecognized231d, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss 231ecognized? **For nature and extent of risks arising from financial instruments** 32.26 Does the entity disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date? **Qualitative disclosures** 32.27 Does the entity disclose the following for each type of risk arising from financial		

		instruments: a) the exposures to that risk and how they arise; b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and c) any changes in 33(a) or (b) from the previous period? **Quantitative disclosures** 32.28 For each type of risk arising from financial instruments, does the entity disclose: a) summary quantitative data about its exposure to that risk at the reporting date based on the information provided internally to key management personnel of the entity b) the disclosures required by paragraphs 36 to 42 of AS 32, to the extent not provided in paragraph 34(a), unless the risk is not material; and c) concentrations of risk if not apparent from 34(a) and (b)?. 32.29 Does entity give disclosure of concentrations of credit risk which includes:		

		a) a description of how management determines concentrations; b) a description of the shared characteristics that identifies each concentration; and c) the amount of the risk exposure associated with all financial instruments sharing that characteristic? 32.30 If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, does the entity provide further information that is representative? **For credit risks** 32.31 Does the entity disclose by class of financial instrument: a) the amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements; b) in respect of the amount disclosed in 36(a), a description of collateral held as		

		security and other credit enhancements; c) information about the credit quality of financial assets that are neither past due nor impaired; and d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated. 32.32 For financial assets that are either past due or impaired, does the entity disclose by class of financial asset: a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired; b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired; and c) for the amounts disclosed in 37(a) and (b), a description of collateral held by the entity as		

		security and other credit enhancements and, unless impracticable, an estimate of their fair value? 32.33 When the entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Standards, does the entity disclose: a) the nature and carrying amount of the assets obtained; and b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations? **For liquidity risk** 32.34 Does the entity shall disclose: a) a maturity analysis for financial liabilities that shows the remaining contractual maturities; and b) description of how it manages the liquidity risk inherent in		

		above? **For Market risk** 32.35 Unless the entity complies with paragraph 41 does it disclose: a) a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date; b) the methods and assumptions used in preparing the sensitivity analysis; and c) changes from the previous period in the methods and assumptions used, and the reasons for such changes? 32.36 If the entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, does it disclose a) an explanation of the method		

		used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. 32.37 When the sensitivity analyses disclosed in accordance with paragraphs 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example, because the year-end exposure does not reflect the exposure during the year),does the entity disclose that fact and the reason it believes the sensitivity analyses are unrepresentative?		

PART II

SPECIMEN DOCUMENTATION FOR MVAT AUDIT

Chapter XII

Specimen Letter of Communication with previous auditor

BY REGISTERED A.D

(Letterhead of Chartered accountant)

To PQR & Co.

Subject: Communication before accepting audit of ABC Ltd.

The Directors of ABC Ltd. have appointed us for conducting audit of their books of accounts under Section 61 of the Maharashtra Value Added Tax Act, 2002 for the period ending 31st March… We understand that you were the auditors for the purpose in the preceding year.

We have enquired from the management of ABC Ltd. whether they have communicated our appointment as aforesaid and have been replied to in the affirmative. However, the reasons for the change have not been intimated to us.

We would like to ascertain as to whether there exists any professional or other reason as to why we should not accept the appointment. We shall be obliged if you could communicate the position of the accounts of the client as well along with any matter that requires special attention for the purpose of such audit.

Kindly acknowledge receipt.

Your prompt response is awaited.

Thanking You.

XYZ & Co.

Chartered Accountant

…………………………(Signature)

(Name of the Member)

Date

Place

Acknowledged on behalf of

PQR & Co. by

……………………..

(Signature)

Name of the Member

Date

Chapter XIII

Specimen Engagement letter for the purpose of VAT audit for the year ended 31st March ……under Maharashtra Value Added Tax Act, 2002

(Letterhead of Chartered accountant)

To

The Board of Directors (or the appropriate representative of senior management)

Subject: Engagement letter for the purpose of VAT audit for the year ended 31st March ---------- under Maharashtra Value Added Tax Act, 2002

You have requested that we conduct audit of accounts under section 61 of the Maharashtra Value Added Tax Act, 2002 for the period ending 31/03/----------. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

We will conduct our audit in accordance with the auditing standards generally accepted in India. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

However, having regard to the test nature of an audit, persuasive rather than conclusive nature of audit evidence together with inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements of financial statements, resulting from fraud, and to a lesser extent error, if either exists, may remain undetected.

The responsibility for the preparation of financial statements on a going concern basis is that of the management. The management is also responsible for selection and consistent application of appropriate accounting policies, including implementation of applicable accounting standards along with proper explanation relating to any material departures from those accounting standards. The management is also responsible for making judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the entity at the end of the financial year and of the profit or loss of the entity for that period.

The responsibility of the management also includes the maintenance of adequate accounting records and internal controls for safeguarding of the assets of the company and for preventing and detecting fraud or other irregularities. Management is also responsible for abiding by the various requirements as laid down by the Maharashtra Value Added Tax Act, 2002; Central Sales Tax Act, 1956; and rules, notifications, circulars and notices issued thereunder. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review' under the Chartered Accountants Act, 1949. The reviewer may examine our working papers during the course of the peer review.

Section 61 of the Maharashtra Value Added Tax Act, 2002 requires the Audit Report to be filed in Form 704 as prescribed under the said Act.

We look forward to full cooperation from your staff and we trust that they will make available to us whatever records; documentation and other information are requested in connection with our audit. Our fees will be billed as the work progresses. This letter will be effective for future years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial statements.

XYZ & Co.

Chartered Accountants

…………………………(Signature)

(Name of the Member)

Date

Place

Acknowledged on behalf of

Dealer by

……………………..

(Signature)

Name

Designation (*Partner/Director/Member/Proprietor)*

Date

Chapter XIV

Specimen letter seeking information from dealer before commencement of audit u/s 61 of Maharashtra Value Added Tax Act, 2002

(Letterhead of Chartered Accountant)

Date:

To

Name of the Partner/ Director/Proprietor

Address of Firm/Company

Dear Sir

Sub: Information required before commencement of audit u/s 61 of Maharashtra Value Added Tax Act, 2002

This letter is provided in connection with audit of accounts u/s 61 of Maharashtra Value Added Tax Act, 2002 of M/s ________ for the year ended -------. As per the said section, audit report in Form 704 is to be submitted. You are requested to provide the following information to us before commencement of VAT audit:

1. The name of the dealer as mentioned in the registration certificate issued under the Maharashtra Value Added Tax Act, 2002.
2. Registration Certificate Numbers under the Maharashtra Value Added Tax Act, 2002 and the Central Sales Tax Act,1956.
3. Registration Certificate Number and date under The Maharashtra State Tax on Professions, Trades, Callings And Employments Acts, 1975.
4. Enrolment Certificate Number and date under The Maharashtra State Tax On Professions, Trades, Callings And Employments Acts, 1975
5. Registration number and date under any other Act administered by the sales tax department
6. Permanent Account Number under the Income Tax Act, 1961
7. Excise Control Code Number (ECC No.) under the Central Excise Act, 1944
8. Import Export Code, if any

9. Address of the principal place of business, address given in the returns and change if any in the address during the period under audit

10. Additional places of business in the State under same registration

Sr No	Additional place of business	Address

11. Additional places of business in the State having different registration number

Sr No	Additional place of business	Registration number and date

12. In case of 11 above, whether permission has been taken to file consolidated return

Sr No	Place of business	Registration number

13. Brief details of the business activity

S.No	Nature of business(s)	Starting Date	Previous Nature of business	Reason for Change
	1. Manufacturer 2. Reseller			

	3. Works contractor 4. Lessor 5. Bakery 6. Restaurant 7. Job worker 8. Importer 9. Others, specify			

14. Brief details of the class of products sold
15. The constitution of the business (proprietary/HUF/partnership/company/any other, specify)
16. Change in the business model during the period under audit
17. Change in the method of valuation of stock during the period under audit
18. Change in the accounting system during the period under audit
19. Eligibility certificate number under the Package Scheme of Incentives
20. Entitlement certificate number under the Package Scheme of Incentives
21. Tax deduction account number issued under the Maharashtra Value Added Tax Act, 2002
22. Working capital employed (current assets less current liabilities)
23. If any composition is accepted, nature of such composition
24. Nature and type of incentives availed, if any
25. Particulars of bank accounts

Sr No	Name of the bank	Branch	Account No

26. The following details relating to turnover from 1st April --------- to 31st March --------

Sr no	Particulars	Amount
A	Gross turnover of sales including	

	branch transfers	
B	Goods specified in Schedule A on whose sales no tax is leviable by virtue of section 5 of the MVAT Act, 2002	
C	Branch transfers	
D	Sales not liable to tax due to sale taking place outside the State or in the course of import or export or inter state trade or commerce (section 8 of the MVAT Act, 2002)	
E	Taxes and other deductions (1) (2) (3)	
F	Balance turnover of sales liable to tax	

27. Details of sales liable to tax (* Quantity required only in case of specified petroleum products liable to specific rate – refer Schedule D) for the period from 1st April ------- to 31st March --------

Rate of tax	Taxable value	Quantity*	Tax amount

28. Following details pertaining to turnover of purchases for the period from 1st April ----------to 31st March -------------

Particulars	Amount
Gross turnover of purchases	
Imports into India	
Inter State sales	
Branch transfers	
Local purchases from registered dealers	
Local purchases from unregistered dealers	

29. Computation of set off for the period from 1st April------- to 31st March ----------

Purchases in respect of which details are required	Rate of tax	Taxable purchase price	Tax amount
Purchases from registered dealers			
Purchases not eligible for set off under Rule 54			
Purchases eligible for set off under Rule 52			
Less:			
Reduction of set off at 4% of the purchase price on account of:	Taxable purchase price		Amount of set off
Goods used as fuels			
Inputs used in manufacture of tax free goods			

Packing materials used in packing of tax free goods		
Goods as purchased transferred outside the State		
Inputs used in the manufacture of goods transferred outside the State		
Reduction of set off on goods used in execution works contract for which the contractor has opted for composition in lieu of tax payable		

30. Refund claimed in the returns for the period from 1st April --------- to 31st March ------
31. Refund of amount equal to set off on raw materials claimed under package scheme of incentives for the period from 1st April-------- to 31st March --------
32. Unadjusted set off – refund claimed in March----------- returns

In case of composition dealers under the Act, the following details are also required:

33. Turnover of sales liable to tax
34. Composition payable

Rate of composition	Composition amount

35. In case returns are consolidated under the Central Sales Tax Act, 1956, following details are also required for the period from 1st April ---------- to 31st March ----------:
    (a) Gross turnover of sales including branch transfers
    (b) Sales within Maharashtra
    (c) Sales in the course of import
    (d) Sales in the course of export
    (e) Last sales made preceding the sales in the course of export above, where such last sales take place after, and for the purpose of complying with, the agreement or order for or in relation to such export.
    (f) Sales exempted under section 6 of the Central Sales Tax Act, 1956 being sales in the course of inter state trade or commerce
    (g) Branch transfers
    (h) Taxes and other deductions
    (i) Balance turnover of sales liable to tax

Particulars	Rate of tax	Taxable value	Tax amount

36. The following details are required regarding the returns pertaining to the period from 1st April --------- to 31st March ------------:
    (a) Periodicity of the returns (tick the appropriate box)

Monthly	Quarterly	Six monthly

(b) Status of filing of returns and payment of tax due as per return:

Period	Filing of returns		Payment of tax			
	Due date	Date of filing	Due date	Date of payment	Amount due	Amount paid
April						
May						
June						
July						
August						
September						
October						
November						
December						
January						
February						
March						

37. For dealers other than composition dealers, the following details are required for the period from 1st April ------- to 31st March --------:

(a) In respect of sales

Sr. no	Particulars	Amount
1	Gross turnover of sales including branch transfers (all sales transactions including scrap sales, sale of old assets, sales to employees etc.)	
2	Branch transfers (with details of method followed for valuation)	
3	Turnover of sales including taxes payable	

4	Sales under section 5 (Description of goods sold and schedule entry number)	
5	Break-up of total sales under section 8	
	Net turnover of sales under the CST Act 1956 as disclosed in the CST return { section 8(1) }	
	Sale of fuel and lubricants filled into aircrafts which are registered in the foreign country [Sales under section 8(2)]	
	Sale to SEZ, STP, EHTP and 100% EOU [section 8(3)]	
	Sales exempted from tax in respect of class of goods eligible for exemption as mentioned in the eligibility certificate [Sales under section 8(4)]	
6	Tax amount, whether shown separately or computed as per provisions of rule 38	
7	Deductions claimed	
	Non-taxable charges	
	Amount paid or payable towards works contract executed by sub-contractors	
	Amount paid or payable by the principle contractor towards works contract executed by the dealer	
	Sales of goods excluded from VAT (provide description of goods sold and schedule entry number)	
8	Computation of sales tax payable (provide methodology)	
	Sales taxable at..... [provide description of goods sold and schedule entry number]	
	Sales taxable at .... [provide description of goods sold	

	and schedule entry number].	
	Sales taxable at ….[provide description of goods sold and schedule entry number]	
	Sales tax payable at Rs. 1 per litre based on quantity of goods sold ….[provide description of goods and quantity]	
	Sales tax payable at Rs. 1 per litre based on quantity of goods sold ….[provide description of goods and quantity]	
	Amount of tax payable under the MVAT Act 2002 on works contracts entered into prior to 31.03.---------- [provide details of method followed]	
	Amount of tax payable under the MVAT Act 2002 on leasing contracts entered into prior to 31.03.---------- [describe method followed for discharging tax liability under the Maharashtra Right to Use Act]	

(b) In respect of turnover of purchases and sales tax set off claimed in the return

Sr. no	Particulars	Amount
1	Turnover of purchases (include method of classification of purchases)	
	Purchase invoices and other supporting documents for Imports into India	
	Purchase invoices and other supporting documents for Inter-State purchases	
	Details of branch transfers including stock records	
	Purchase invoices and other supporting documents for	

	local purchases from registered dealers	
	Local purchases from un-registered dealers with full particulars of purchases which are of Rs. 10,000/- or more	
2	Computation of set-off	
	Tax paid on purchases from registered dealers	
	Tax paid on purchases not eligible for set-off	
	Tax paid on purchases eligible for set-off	
	Reduction of set-off at 4% of the purchase price on account of -	
	a) Goods used as fuels (provide details of class of goods and system followed for identification)	
	b) Details of inputs used in manufacture of tax-free goods	
	c) Details of Packing materials used in packing of tax free goods and method of computation of reduction of set-off	
	d) Details of Goods as purchased transferred outside the State & method followed for identification	
	e) Inputs used in manufacture of goods transferred outside the State and method of computation of reduction of set-off	
	f) Reduction of set-off on goods used in execution works contract for which the contractor has opted for composition in lieu of tax payable	
	g) Set-off admissible	
	h) Provide purchase invoices, details of closing stock, sales tax (for set-off on trading goods held in stock as on 1.4.------- claimed in the first return after 1.4.--------)	

	i) Describe method for identification of unsold goods, corresponding purchases and set-off amount (for: Reversal of set-off claimed on trading goods held in stock as on 1.4.----- but not sold on or before 31.12.------)	
	j) Provide stock declaration and resale invoice (for Set-off relating to capital assets held in stock as on 1.4.----- and sold on or before 31.12.------)	
	k) Provide documents based on which Adjustments to set-off had been claimed earlier	
	l) Total set-off admissible	
	m) Set-off adjusted against sales tax payable	
	n) Set-off adjusted against CST payable	
	o) Refund of set-off claimed in the returns	
	p) Give reasons, if any, for balance of set-off	

38. The following details pertaining to Package Scheme of Incentives are required for the period from 1st April ---------- to 31st March ----------:

(a) Type of incentive being availed

(b) Whether the eligible unit is a Mega project yes……..no……..

(c) Validity of the eligibility certificate from……….to………

(d) Sanctioned monetary limit

(e) Cumulative Quantum of Benefits availed upto 31st March ----------

(f) Balance Cumulative Quantum of Benefits available for the current year

(g) Computation of Cumulative Quantum of Benefits as under:

i. By the unit availing exemption from tax

Turnover of sales under MVAT Act	Description of goods sold and schedule entry	Rate of tax	Taxable sale price	Tax amount (CQB amount)

2002 of the goods specified in the Eligibility Certificate	number			
Turnover of inter state sales of goods specified in the Eligibility Certificate	Class of inter state sales	Rate of tax	Taxable sale price	Tax amount (CQB amount)
	(a) Sales supported by Form C or D			
	(b) Sales by Mega Project	1%		
				Total - CQB

ii. By the unit availing deferment of tax payable

Sr No	Particulars	Tax amount	CQB Amount
1.	Amount of sales tax payable as per returns under the MVAT Act,2002		
2.	Amount of central sales tax payable as per returns under the Central Sales Tax Act, 1956		

		Total - CQB	
3.	Pre-mature payment of amount which could have been deferred	Amount paid Challan No/date	
4.	Balance of CQB to be deferred		

(h) Cumulative Quantum of Benefits

Opening balance	
Availed during the period of review	
Balance carried over to next period	

39. Methodology followed for identification of sales of goods eligible for sales tax incentives and classification of goods and rate of tax adopted for computation of Cumulative Quantum of Benefits
40. Treatment given to set-off on purchases of goods other than raw materials against which refund cannot be claimed
41. For composition dealers the details required are as under:

(a) In case of a retailer:

Sr No.	Particulars	Amount
	Eligibility to pay tax under composition option	
	Computation of taxable value	
	1. Total turnover of sale	
	2. Turnover of sales of goods excluded from VAT (provide description of goods sold and schedule entry	

	number)	
	3. Turnover of purchases	
	4. Turnover of sales liable to tax and applicable rate of composition	

(b) In case of a bakery

Sr No.	Particulars	Details
	Eligibility to pay tax under composition option	
	Computation of composition payable	
	1. Turnover of sales	
	2. Turnover of tax free sales (provide description of goods sold and schedule entry number)	
	3. Rate of composition payable (as a percentage of sales)	

(c) In case of restaurant, etc.

i. Nature of business of the dealer (please tick appropriate box)

Restaurant	Eating house	Hotel	Refreshment room	Boarding establishment

ii.

Sr No.	Particulars	Details

1.	Eligibility to pay tax under composition option	
2.	Computation of composition payable	
	1. Turnover of sales	
	2. Rate of composition payable (as a percentage of sales)	
	3. Amount of composition payable	

(d) In case of caterers, etc.

Sr No.	Particulars	Details
	Eligibility to pay tax under composition option	
	Computation of composition payable	
	2. Rate of composition payable (as a percentage of sales)	
	3. Amount of composition payable	

(e) In case of a passenger motor vehicle dealer

Sr No.	Particulars	Details
	Eligibility to pay tax under composition option	
	Amount of set off claimed	
	Computation of composition payable	
	1. Turnover of sales	
	2. Rate of composition payable (as a percentage of sales)	
	3. Amount of composition payable	

42. The following details pertaining to returns under the MVAT Act, 2002 for the period from 1st April ---------- to 31st March ---------- are required:

Sr. No	Particulars	Amount
a)	Gross turnover of sales including branch transfers [as per MVAT returns]	
b)	Turnover of sales under the MVAT Act, 2002 [as per MVAT returns]	
c)	Turnover of sales under the Central Sales Tax Act, 1956 including branch transfers	
d)	Branch transfers [provide method of valuation]	
e)	Turnover of sales under the Central Sales Tax Act, 1956 including taxes payable	
	Deductions claimed	
	i. Tax amount, whether shown separately or computed as per provisions of rule Section 8A of the Central Sales Tax Act, 1956	
	ii. Non-taxable charges [Description of charges]	
	iii. Sales outside the State u/s 4	
	iv. Sales in the course of export u/s 5(1) – High seas sales [Documentation and operating procedure]	
	v. Sales in the course of export u/s 5(1) – Sales occasioning import. [Documentation and operating procedure]	
	vi. Sales in the course of export 5(2) – Direct exports by the dealer [Documentation and operating procedure]	
	vii. Sales in the course of export 5(3) –Sales against Form H [Documentation and operating procedure]	
	viii. Sales-in-transit u/s6 (2) [Documentation and	

	operating procedure]	
	ix. Sales by PSI availing the benefit of exemption from tax	
6.	Computation of central sales tax payable	
	Sales against Form C/D	
	a) Sales taxable at 4%	
	b) Sales taxable at ... (provide description of goods sold and schedule entry number under the MVAT Act, 2002)..	
	c) Sales taxable at ..... (provide description of goods sold and schedule entry number under the MVAT Act, 2002)	
	Sales without Form C/D	
	a) Sales taxable at ..... (provide description of goods sold and schedule entry number under the MVAT Act, 2002)	
	b) Sales taxable at ..... (provide description of goods sold and schedule entry number under the MVAT Act, 2002)	
	c) Sales taxable at ..... (provide description of goods sold and schedule entry number under the MVAT Act, 2002)	
	Total Sales Tax payable	

43. Purchases on Form C in contravention of the Central Sales Tax Act, 1956 as under:

Sr no	Name and address of the seller	Bill/ Invoice No. and date	Taxable purchase price (Rs.)	Description of goods supplied	Nature of contravention	
					Goods not included in RC	Goods not utilised for intended purpose

44. Purchases of Rs. 10,000/- or more, for the period from 1st April ---------- to 31st March ----------, from dealers or persons not registered under the Maharashtra Value Added Tax Act, 2002 as under:

Sr no	Name and address of the seller	Bill/ Invoice No. and date	Amount	Description of goods supplied/ works contract	Purchase order/contract number and date	Amount of tax deducted, if any

45. Tax deducted at source as under

(a) Tax deduction account number and date

(b) Issue of TDS certificate – remarks ……………………………
…………………………..

(c) Records maintained pertaining to TDS

(d) Filing of statement and returns with the prescribed authorities

(e) Has the Tax Deduction Account Number been quoted on all documents ……….

(f) Details of transactions liable to WCT TDS, and whether tax has been deducted thereon

(g)

Period	Amount of tax	Amount of tax	Challan No.	Date

	deducted (Rs.)	paid (Rs.)		
April’				
May’				
June’				
July’				
August’				
September’				
October’				
November’				
December’				
January’				
February’				
March’				

46. Sales not supported by sales tax declaration forms

Invoice no and date	Taxable amount (Rs.)	Sale against declaration form No.*	Description of goods sold and schedule entry number	Differential tax liability (Rs.)	
				Under the MVAT Act	Under the CST Act

* Note: - In respect of sales in transit please indicate forms awaited namely Form C / D / E-I / E-II Note: - In respect of sales in transit please indicate forms awaited namely Form C / D / E-I / E-II

47. Consignment/branch transfers not supported by Form F

Branch transfer document reference	Date	Value (Rs.)

48. Stock account of declarations collected and utilised during the period of review

Particulars	Form C	Form E-I	Form E-II	Form F	Form H
Opening Stock					
Declaration collected during the year					
Declaration utilised during the year					
Closing Balance					

Thanking you,

XYZ & Co.
Chartered Accountant

(Signature)

Date: (Name of the Member)

Place:
Designation

Acknowledged on behalf of

Dealer by..

(Signature)

Name

Designation (Partner/Director/Member/Proprietor)
Date

Chapter XV

Specimen Audit Plan for the purpose of VAT audit under the Maharashtra Value Added Tax Act, 2002

Client:

Audit Plan for the year ended 31st March, ----------

Audit Report Signing Partner's Name………..

Audit Review Partner's Name ………..

Audit Team

Incharge – Name

Others –

(a) ….
(b) ….
(c) ….

Number of man-days planned for audit :

Date of commencement of audit :

Proposed date of completion of field work :

Date of meeting with the client

(a) Before commencement of audit :

(b) After field work is over :

Part	Compliance	Work Allotted to (name) (initials)	Yes/No	Comments
I	Whether outside consultation is required			
II	Compliance with AS			
III	Compliance with Standards			
IV	Objective of audit			
1.	The provisions of MVAT Act, 2002 and rules made there under are followed			
2.	Objective of audit report is achieved			
V	Obtain internal audit report			
VI	Obtain letter of information from management. In case of a firm, such letter should be signed by at least two partners			
VII	Assessment of internal control			
	What is the degree of reliance that			

	can be placed on internal control			
	Process for sampling			
	%age of checking on each item of Profit & Loss Account and Balance Sheet			

Plan for the audit report

		Activity	Yes /no
I		Determine the type of dealer	
		Filing returns under MVAT and CST Acts	
	A	Manufacturer/ other than PSI / Importer/ Reseller/ other than composition dealers/ Works contractor, lessee, etc.	
	B	Manufacturer – availing PSI	
		Filing returns under MVAT Act only	
	C	Manufacturer/ other than PSI / Importer/ Reseller/ other than composition dealers/ Works contractor, lessee, etc.	
	D	Retailer – under composition	
	E	Bakery – under composition	
	F	Restaurant, etc. – under composition	
	G	Caterers, etc. – under composition	
	H	Second hand Passenger Motor Vehicle – under composition	
		Filing returns under CST Act 1956 only	
	I	Manufacturer – other than PSI/ Reseller/	

		other than composition dealers/ works contractor/ non resident dealer, etc.	
II		Collection of documents from the dealer for permanent file	
	1	Copy of registration certificates issued under the Maharashtra Value Added Tax Act, 2002, Central Sales Tax Act, 1956, or Bombay Sales Tax Act	
	2	Copy of registration certificates issued for additional places of business under the local sales tax laws	
	3	Copy of registration certificate and employees registration certificate issued under the Profession Tax Act	
	4	Copy of registration certificates issued under any other Act administered by the Sales tax department • Luxury Tax Act • Maharashtra Entry Tax on Petroleum Goods into Notified Areas Act • Motor Vehicle Entry Tax Act • Sugarcane Purchase Act	
	5	Copy of registration certificate issued under the Central Excise Act, 1944	
	6	Copy of PAN Card issued under the Income Tax Act, 1961	
	7	Copy of eligibility certificate issued by the implementing agency alongwith addendum, if any	
	8	Copy of entitlement certificate issued by the sales tax department	
	9	Copy of acknowledgement of Form 401 for Tax Deduction Account No.	

	10	ECC No under the Central Excise Act, 1944	
	11	Copy of certificate issued for IEC Code	
	12	The document evidencing the constitution of the business (proprietary/HUF/ partnership / company/ any other, specify)	
	13	Address of the principal place of business	
	14	Brief details of the business activity, nature of business, class of products sold (as per schedule entry)	
	15	Copy of letter granting permission to file consolidated return by Joint Commissioner, where the dealer is filing consolidated return, alongwith a copy of Form 211 applied for grant of permission	
	16	Package Scheme of Incentives applicable to the dealer	
	17	Government resolutions issued under Package Scheme of Incentives applicable to the dealer	
	18	Calculation for ascertaining the status of the unit – mega, very large, etc.	
III		Collection of documents to be put in current file – copies of the following:	
	1.	Balance Sheet	
	2.	Trading and Profit & Loss Account	
	3.	Statutory auditor's report	
	4.	Audited financial statements with notes to accounts	
	5.	Audit report under the Income Tax Act, 1961	
	6.	List of books of accounts maintained	

	7.	List of documents maintained for sales, purchases, stock, transfers, etc.	
	8.	List of bank accounts with copies of reconciliation for March	
	9.	Additional places of business in the State: • Having the same registration • Having different registration number with registration number and date	
	10.	Any change in the business model during the period (modify the permanent file accordingly)	
	11.	Accounting system	
	12.	Any change in the accounting system and calculation of the effects of such change	
	13.	Any change in the method of valuation of stock and calculation of the effects of such change	
	14.	Returns filed under MVAT Act, 2002, certified by the dealer	
	15.	Returns filed under the CST Act, 1956, certified by the dealer	
	16.	Returns of the previous year under the BST Act for old dealers	
	17.	Address provided in the returns, any change in the address during the period under audit (modify the permanent file accordingly)	
	18.	Copies of challans for payment of taxes in addition to the ones attached to the returns	
	19.	Copies of the following forms: Form intimating choosing of option to pay tax under the scheme of composition in case of composition dealers, Form 1/2/3/4/5 as the case may be Where set off is claimed, Form 6 relating to	

		stock preceding the appointed day Form 105 and 106 declaring the name of the manager of business (authorised signatory) and PAN No. Form 401 for Tax Deduction Account Number Certificates issued for Tax Deducted at Source as per Form 402 under Section 31(7) of the Act Certificates pertaining to works contract/sub contract – Form 407, 408	
	20.	List of Forms in hand at the beginning of the period of audit, forms collected and used during the period and closing balance at the end of the period under audit.	
IV		Persual of Correspondence with the sales tax department	
V		Verification of agreements pertaining to works contracts/sub contracts	

Collection of data also to include statistics on

SALES

- Gross turnover of all sales (including branch transfers and any tax charged);
- Net turnover of sales at each VAT rate (excluding tax);
- Tax charged on sales at each different rate;
- Total tax charged and payable;
- Total of all tax-free sales (taxable at Nil rate);
- Total of all exports from India;
- Total of all inter-state sales;

- Total of all inter-state branch transfers

PURCHASES

- The total turnover of all purchases (including any tax paid or payable);
- The total of all purchases made at each different rate (excluding tax);
- Tax paid on purchases at each different rate;
- Amount of tax not available for set-off;
- Total tax available for set-off;
- Total of tax-free purchases;
- Total of imports from outside India;
- Total purchases made from outside Maharashtra;
- Total consignment transfers;
- Total of local purchases from registered dealers;
- Total of local purchases from unregistered dealers

NUMBER OF SUPPORTING DOCUMENTS

- delivery records
- order forms
- tax invoices, bills and cash memoranda received,
- tax invoices, bills and cash memoranda issued
- Debit notes
- Credit notes

Working papers

Sr No	Contents	Work Allotted to (name) (initials)
1.	List of books of accounts verified	
2.	List of other documents verified and working thereof	
3.	Verification of calculation of turnover of sales	
4.	Verification of calculation of turnover of purchases	
5.	Verification of branch transfers, valuation thereof (including for composition dealers)	
6.	Calculation of tax to be deducted at source	
7.	Calculation of effect of changes in the accounting system	
8.	Calculation of the effect of changes in the method of valuation of stock	
9.	Verification of returns (under MVAT and CST Acts) with respect to: • Filing on due date • Calculation of tax liability • Calculation of additional tax liability, if any • Calculation of refund • Calculation of set off claimed • Calculation of composition payable in case of composition dealers • Other details	
10.	Calculation of working capital employed	
11.	Verification of registers and documents pertaining to sales, purchases	
12.	The annexures as per the audit report form 704	
13.	Verification of data in returns vis a vis books of accounts: Incentives claimed Set off claimed Composition payable	

	Refund claimed Stock	
14.	Verification of the various Forms submitted and whether all the correct forms have been submitted at the correct time. Has the correct form been used for filing of returns (monthly/quarterly/half yearly)	
15.	Verification of list of goods sold as per Schedule entry and verification of the rate of tax thereon	
16.	Verification of returns of tax deducted at source in Form 403 and of register to be maintained in Form 404	
17.	Verification of works contract and sub contracts (including prior period contracts) through agreements and books of accounts and the certificates and declaration filed with the sales tax authorities in the prescribed forms	
18.	Verification of calculation of value and rate of tax in case of works contract or sub contract	
19.	Verification of list of purchases as to their classification as raw materials, capital goods, etc.	
20.	Verification of determination of value and rate of tax in leasing and hire purchase transactions	
21.	Verification of documents pertaining to purchases	
22.	Verification of calculation of set off and incentives in case of PSI, and the opening and closing balances	
23.	Verification of the goods as per the eligibility certificate	
24.	Verification of eligibility for PSI	
25.	Verification of eligibility for composition scheme	
26.	Verification of the forms register	
27.	Verification of sales/transfers not supported by sales tax forms	
28.	Verification of declarations collected and utilised during the period of audit	
29.	Verification of purchases against Form C as per the CST Act 1956	
30.	Verification of returns under the CST Act 1956	

Chapter XVI

Specimen Management Representation Letter on audit u/s 61 of Maharashtra Value Added Tax Act, 2002

[to be obtained from the management]
(Letterhead of Dealer)

Date:

M/s. XYZ & Co.

Chartered Accountants

Mumbai

Dear Sir,

Sub: Management representation on VAT audit

This representation letter is provided in connection with your audit of accounts for the year ended 31.03.---------- for the purpose of Maharashtra Value Added Tax Act, 2002. We acknowledge our responsibility for preparation of financial statements in accordance with the requirements of the Companies Act, 1956 and recognized accounting policies and practices, including Accounting Standards issued by the Institute of Chartered Accountants of India. We also acknowledge our responsibility for abiding the provisions of the Maharashtra Value Added Tax Act, 2002 and the rules made thereunder.

The information required for the audit of accounts under section 61 of the Maharashtra Value Added Tax Act, 2002 is being made available to you in order to enable you to verify the same for the purpose of your report thereon. In respect of the audit under section 61 of Maharashtra Value

Added Tax Act, 2002 for the year ended 31st March ----------, we confirm to the best of our knowledge and belief, the following representations:

1. Our full name and address (principal place of business) is ……………….
2. Our Registration Nos. are as under:

Act	R.C. No.	Date
MVAT Act, 2002		
CST Act, 1956		
Profession Tax Act		
Any other Act administered by the sales tax department (specify the Act)		

3. Our E.C. No. and date under the Profession Tax Act is ……..and ……..
4. Our PAN number under the Income Tax Act, 1961 is ……….
5. Our ECC No under the Central Excise Act, 1944 is ……….
6. Our Import Export Code is ………..
7. Our eligibility certificate number is …
8. Our entitlement certificate number is …
9. Our tax deduction account number is …
10. The address given in the returns is ……….. There has been no change in the address during the period under audit/ During the period under audit, the address has changed from ………. To ………….
11. Our additional places of business in the State under same registration are:

Sr No	Additional place of business	Address

12. Our additional places of business in the State having different registration number are:

Sr No	Additional place of business	Registration number and date

13. We maintain following Sales Tax records :

14. We maintain following records regarding receipt and dispatch of goods:

Type of Documents	**Yes/ No**
Delivery Challan	
Lorry receipt / Rail receipt	
Airway bill/ Shipping bill	
Test report	
Courier receipt	

15. We have taken/not taken permission to file consolidated return (where additional places of business having different registration number are there in the State).

Sr No	Place of business	Registration number

16. The brief details of the business activity is ………………….

1. We primarily deal in following goods/items :

Sr no	**Description of goods**	**Schedule Entry No.**
a)		
b)		

c)		
d)		

We also deal in following goods:

Sr no	Description of goods	Schedule Entry No.
a)		
b)		
c)		
d)		

17. The constitution of the business is ……. (proprietary/ HUF/ partnership/ company/any other, specify)
18. There has been no change in the business model during the period under audit (specify the change if any)
19. There has been no change in the method of valuation of stock during the period under audit (specify the change if any)
20. There has been no change in the accounting system during the period under audit
21. Our working capital employed (current assets less current liabilities) is …
22. The nature of composition is … (if any accepted)
23. The nature and type of incentives availed are …
24. The particulars of bank accounts are as per annexure ….
25. The details of turnover are as per annexure …
26. The details of sales liable to tax are…
27. The details pertaining to turnover of purchases are as per annexure…
28. The computation of set off is as per annexure …
29. The refund claimed in the returns is ….

30. The refund of amount equal to set off on raw materials claimed under package scheme of incentives is …
31. The unadjusted set off – refund claimed in March ---------- returns is …
32. In case of composition dealers under the Act, the details are as under:
    (a) The composition payable is …
    (b) In case returns are consolidated under the Central Sales Tax Act, 1956, following details on turnover of sales are as per annexure …
    (c) The details regarding the returns are as per annexure …
33. The details for dealers other than composition dealers are as per annexure …
34. The details pertaining to Package Scheme of Incentives are as per annexure …
35. The methodology followed for identification of sales of goods eligible for sales tax incentives and classification of goods and rate of tax adopted for computation of Cumulative Quantum of Benefits is ….
36. The treatment given to set-off on purchases of goods other than raw materials against which refund cannot be claimed is…….
37. The details required for composition dealers are as per annexure …
38. The details pertaining to returns under the Central Sales Tax Act, 1956 are as per annexure …
39. The purchases on Form C in contravention of the Central Sales Tax Act, 1956 are as per annexure …
40. The purchases of Rs. 10000/- or more, from dealers or persons not registered under the MVAT Act, 2002 are as per annexure …
41. The tax deducted at source is as per annexure …
42. The sales not supported by sales tax declaration forms are as per annexure:
43. The consignment/branch transfers not supported by Form F are as per Annexure …
44. The stock account of declarations collected and utilised during the period of review is as per Annexure …

With above details and submissions we further state and certify the following,

A) We maintain Dispatch and Receipts of Goods records wherever possible via Delivery Challan , Lorry receipts etc

B) We have declared all the Sales transactions occurred during the year in our books of accounts.

C) We have adjusted Sales and Purchases with the help of underlying documents to substantiate the same , however in certain cases such adjustments are made on oral understandings and as per general business parlance in our market

D) We have classified the goods and its Schedule entries as per our best understanding of its applicability and also as followed by other in our industry.

As it is not possible fo us to verify the vat payments of our vendors, it is difficult for us to certify that whether set off claimed by us is fully allowable as per Maharashtra Value Added Tax Act, 2002

Yours faithfully,

For & on behalf of ___________

Partner/Director/Member/Proprietor

Date

Place

Chapter XVII

MVAT Audit report

Audit under Section 61 of the Maharashtra Value Added Tax Act, 2002 deals with compulsory tax audit by every dealer who satisfies certain criteria
Such criteria are given in sub section (1). Accordingly,

Every dealer liable to pay tax shall, —

(a) If his turnover of sales or, as the case may be, of purchases cases, exceed or exceeds rupees forty lakhs in any year, or

(b) A dealer or person who holds license in certain specified cases

get his accounts in respect of such year audited by an Accountant within the prescribed period from the end of that year and furnish within that period the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars and certificates as may be prescribed.

Audit report

The report of audit under Section 61 shall be in Form 704. The audit report shall be submitted within ten months from the end of the year to which the report relates [Rule 66].

Vide notification No.VAT/AMD-1009/IB/Adm-6 dated 26.08.2009 Form-704 has been substituted. Therefore, any dealer who files Audit Report on or after 1st October 2009 for any period shall file the same in the new Form-704. Now, it is mandatory for all the dealers who are required to get their books of account audited as per the provisions of the section 61 of the MVAT Act, 2002 to file Audit Report in Form-704 electronically. This form is to be used in respect of all accounting periods starting on or after 1st April 2008.

Submission of Form 704

The last date of submission of Audit Report in Form -704, for the period 01/04/08 to 31/03/09 is 31 January 2010

Additional documents to be submitted

(a) A duly signed copy of an acknowledgment generated after uploading of Form- 704.

(b) Balance Sheet and Profit & Loss Account / Income and expenditure account along with the Statutory Audit Report.

(c) In case the dealer is having multi-state activities, the Trial Balance for the business activities in Maharashtra .

(d) PART-I of the Audit Report along with Certification duly signed by the Auditor

Approach towards audit

1) Understanding business activities and make a brief note on the same with the help of previous audit reports and discussions with the client.
2) Envisaging change in business activity and or line of activity and record the same
3) Notify class of products , scheduled entry and tax rate applicable
4) Verifying periodicity of returns of the dealer in the reporting year
5) Extracting various purchase and sales reports as per periodicity of returns to be filed by the dealer
6) Verifying complete copies of returns/challans filed under form no 231,232,233, 210 etc
7) Making the summary of purchase, sales & setoff as per returns filed.
8) Preparing summary of sales , purchases & set off as per Audited Financial Statements & Records
9) Reconciling Sales & Purchases as per Audit with that of Return filed
10) Collecting documentary evidences as to sales and purchases made through MOU, agreements as Agent , consignor , Principal or otherwise
11) Deciding on extent of checking of records
12) Checking of sales tax records with books of accounts
13) Verifying bank statements with bank book to verify whether all transactions are entered
14) Checking stock records and registers
15) Checking documents as to dispatch and receipt of goods and recording the correctness and completeness of the same
16) Verifying asset additions and admissibility of Set Off thereon
17) Notify sales of assets and tax impact on the same
18) Verifying and recording of vat paid expenses and allowability of set off thereon.
19) Analyzing prior period data with that of Reporting

20) Evaluate statements of certification
21) Reading instructions given on the Form NO 704 before signing the Report
22) Computing and Assess correct tax liability

General Check List for conducting MVAT audit

Dealer : XYZ CO

FY – 2008/09

		Particulars	Yes / No	Comments (if any)
1	**Sales**			
	a	Whether Tax invoices are prepared as per Maharashtra VAT Act, 2002 and MVAT Rules, 2005?		
	b	Whether all sale bills are duly supported by evidence of delivery of goods?		
	c	Whether VAT/ CST are properly charged as per Scheduled Entry rates?		
	d	Whether Tax Collected is properly recorded in the Books of Accounts?		
	e	Whether quantity sold as per Tax Invoice & supporting evidence of delivery matches or not?		
	f	Whether audit is done on Test Check basis?		
	g	Are the basis and methodology for adopting test check recorded for in audit working file?		
	h	Whether sales return has been duly recorded for goods return within six month?		

	g	Whether supporting evidences are verified for tax free & other exempt sales?		
2	**Purchase**			
	a	Whether all Purchase invoices are duly supported by evidence of receipt of goods?		
	b	Whether quantity sold as per Tax Invoice & supporting evidence of receipt matches or not?		
	c	Whether VAT credit available on purchases has been duly recorded in the books or not?		
	d	Whether audit is done on Test Check basis?		
	e	Are the basis and methodology for adopting test check recorded for in audit working file?		
	f	Whether list of new local suppliers from whom purchase more than Rs.500, 000/- made is taken or not? (New local supplier means any supplier from whom no purchase has been made in immediately preceeding year.)		
3	**Stock**			
	a	Whether daily stock register is maintained?		
	b	What is the method for valuation of stock?		
	c	Is method of stock valuation appropriate method for the dealer?		
	d	Is there any change in a stock valuation method?		
4	**Capital Assets**			

	a	Is there any addition to Capital assets during the year?		
	b	Whether all evidence supporting asset purchase found or not?		
	c	Is VAT on asset eligible for Set off? If yes Take a list of additions.		
	d	Whether the working of reduction in set off is attached or not?		
	e	Whether list of new local suppliers from whom purchase more than Rs.500,000/- made is taken or not?		
	f	Whether addition to capital asset noted in the summary ?		
5	**Expenses**			
	a	Are there any expenses on which VAT is paid?		
	b	Is it duly supported by Proper tax invoices?		
	c	Whether VAT on expenses is recorded in books of accounts or not ?		
	d	Whether Expenses noted in the summary ?		
	e	Whether list of new local suppliers from whom purchase more than Rs.500,000/- made is taken or not?		
6	**Debit Note / Credit Note**			

	a	Whether debit note / credit note register is maintained or not?		
	b	Whether such register is supported by debit note & credit notes?		
	c	Whether list of all debit & credit note on which VAT is applicable is taken?		
	d	Whether list of all debit & credit note on which VAT is not applicable is taken?		
	e	Whether supporting evidence of VAT non applicability on Debit / Credit Note is taken ?		
7	**Bank Book**			
	a	Whether Bank statement has been examined with respect to bank book ?		
	b	Whether bank Reconciliation statement is verified & taken on record ?		
	c	Whether all transaction as per bank statement is taken in bank book ?		
	d	If 'c' is no, whether discrepancies are recorded?		
8	**Cash Book**			
	a	Whether All cash sales are properly accounted for ?		
	b	Whether All cash Purchases are properly accounted for ?		
	c	Whether Cash book has been verified for Cash purchases & cash sales?		
	d	Whether totals for Cash sales has been verified &		

		recorded for current year ?		
	e	Whether totals for Cash sales has been verified & recorded for Preceeding year ?		
	f	Whether totals for Cash Purchases has been verified & recorded for current year ?		
	g	Whether totals for Cash Purchases has been verified & recorded for Preceeding year ?		
9	**VAT Returns**			
	a	What is the periodicity of return filling applicable to the dealer is checked for?		
	b	Whether copies of return available for checking ?		
	c	Whether VAT paid through Return/ Challan is on time?		
	d	Whether Purchase sales summary is prepared on the basis of return filed ?		
	e	Whether Tax paid summary is prepared on the basis of returns filed ?		
	f	Whether Interest calculation is made as per section 30 of MVAT Act,2002?		
10	**Set off**			
	a	Whether inadmissibility of set off is verified WRT rule 53 & 54 of MVAT Rules,2005 ?		
	b	Whether reduction in set off is properly accounted for?		

	c	Whether prior period refund is properly carried forward in the reporting year? (If not claimed in form 501)		
	d	Whether VAT set off adjusted against CST is properly summarized ?		
11		Is there any refund order received during the year? Take a list of same.		
12		Is there any Tax deducted during the year? Take a list of same.		
13		Whether TDS certificate has been collected or not?		
14		Whether tax credit of TDS is taken for the same?		
15	**Declaration Forms**			
a	**C Form**			
	a	Whether open market sales [OMS] sales are eligible for Collecting C - Form?		
	b	Whether C form collection register maintained?		
	c	Whether C form collected verified with the register ?		
	d	whether list of C form collection pending is taken ?		
	e	Whether differential tax liability has been worked out ?		

b	**H Form**			
	a	Whether OMS sales are eligible for Collecting H - Form ?		
	b	Whether H form collection register maintained?		
	c	Whether H form collected verified with the register ?		
	d	whether list of H form collection pending is taken ?		
e	**E Form [essential for verifying sales in transit]**			
	a	Whether any sales in transit concluded during the period ?		
	b	Whether E form register maintained?		
	c	Whether E form verified with the register ?		
	d	Whether list of E form pending is taken?		
d	**F Form**			
	a	Is there any branch transfer sale?		
	b	Whether F form collection register maintained?		
	c	Whether F form collected verified with the register?		
	d	Whether list of F form collection pending is taken ?		
16	**Accounting Package**			
	a	What accounting package & version is used by the dealer ?		
	b	Is there any change in above as compared to previous year?		
	c	Whether all required reports & summary are easily available in that package?		

17	**Recording of Change**			
	a	Whether there is any change in business activity ?		
	b	Whether there is any change in accounting policy?		
	c	Whether there is any change in product line?		
	d	Whether there is any change in Business model?		
18	**Relating to VAT Audit Report**			
	a	Whether all pages of report is sealed and signed?		
	b	Whether all cells are filled?		
	c	Whether Audited financial statement & Tax audit report attached?		
	d	Whether employees Professional tax returns are filled & profession tax paid?		
	e	Whether professional tax of dealer has been paid & return filed?		
19	a	Whether any reliance is placed on other auditors or experts for VAT audit purpose?		
	b	If yes, Kindly Record the basis & extent of such reliance.		