

# CA FINAL

ADVANCED AUDITING, ASSURANCE  
& PROFESSIONAL ETHICS

# AMENDMENTS



**RELEVANT FOR MAY 2024  
EXAMS AND ONWARDS**

**Compiled by : CA PANKAJ GARG**

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**NOT FOR SALE**

(Only for internal circulation among students)

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## CA Final – Advanced Auditing, Assurance & PE

### (Changes in Syllabus and Amendments for May 2024 Exams)

#### Old vs. New Syllabus

Ch. No. and Name (Old Syllabus)		Coverage under New Syllabus
1	Quality Control & Engagement Standards	Divided into 11 Chapters. 1. SQC 1 & SA 200-799 are covered in First 7 Chapters. 2. SA 800, 805, 810 – Covered in Chapter 8 3. SRS 4400 & 4410 – Covered in Chapter 9 4. SRE 2400 & 2420 – Covered in Chapter 10 5. SAE 3400, 2402 & 3420 – Covered in Chapter 11
2	Audit St., Exe. & Planning	Refer Ch. 3 “Audit Planning, Strategy & Execution” of New Syllabus.
3	Risk Assessment & IC	Refer Ch. 4 “Materiality, Risk Assessment & IC” of New Syllabus.
4	Audit in Automated Env.	<b>Removed</b>
		New Ch. 12 “Digital Audit added in syllabus” having NEW Topics.
5	Professional Ethics	Refer Chapter 19 “Professional Ethics” of New Syllabus.
6	Company Audit	Removed (Except Duties of Auditors u/s. 143 & 145 – covered in Ch. 7 – “Reporting” of New Syllabus)
7	Audit Reports	Refer Ch. 7 – “Reporting” of New Syllabus.
8	CARO, 2020	Refer Ch. 7 – “Reporting” of New Syllabus.
9	Audit of Consolidated F.S.	Refer Ch. 13 – “Group Audits” of New Syllabus.
10	Audit of Dividend	<b>Removed</b>
11	Audit Committee	<b>Removed</b>
12	Liabilities of Auditor	<b>Removed</b>
13	Internal Audit	Refer Ch. 16 – “Internal Audit” of New Syllabus.
14	Mngt & Operational Audit	<b>Removed</b>
15	Audit under Fiscal Laws	<b>Removed</b>
16	DD, Inv. & Forensic A/cing	Refer Ch. 17 – “DD, Investigation & Forensic Accounting” of New Syllabus.
17	Peer & Quality Review	<b>Removed</b>
18	Audit of Banks	Refer Ch. 14A – “Audit of Banks” of New Syllabus.
19	Audit of NBFC	Refer Ch. 14B – “Audit of NBFCs” of New Syllabus.
20	Audit of Ins. Companies	<b>Removed</b>
21	Audit of PSU	Refer Ch. 15 – “Audit of PSU” of New Syllabus.

## Chapter 1 – Quality Control

**This chapter covers following topics:**

- 1. SQC 1 (Covered in Ch. 1 of Old Syllabus)**
- 2. SA 220 (Covered in Ch. 1 of Old Syllabus)**
- 3. Mechanism for Review of Quality Control (New Syllabus).**

### SQC 1 “Quality Control for Firms that perform Audits & Reviews of Historical Financial Information, and Other Assurance & Related Services Engagements”

<b>Considerations to be taken into account while upholding quality of firm</b>	<ul style="list-style-type: none"> <li>(i) The firm assigns its management responsibilities so that commercial considerations do not override quality of work performed.</li> <li>(ii) The firm’s policies and procedures in relation to its personnel are designed to demonstrate its overriding commitment to quality.</li> <li>(iii) The firm devotes sufficient resources for development and documentation of its QC policies and procedures.</li> <li>(iv) A firm before accepting an engagement should acquire vital information about the client. Such an information should help firm to decide about integrity of Client, promoters and key managerial personnel, competence (including capabilities, time and resources) to perform engagement and compliance with ethical requirements.</li> </ul>
<b>Monitoring</b>	<b>Factors to be considered in monitoring of QC of engagements</b>
	<ul style="list-style-type: none"> <li>(i) Deciding whether QC system of the firm has been appropriately designed and effectively implemented.</li> <li>(ii) Examining whether new developments in the professional standards, legal and regulatory requirements have been reflected in the QC policies.</li> <li>(iii) Conducting monitoring by entrusting responsibility of monitoring process to a partner or other persons with sufficient and appropriate experience and authority in the firm.</li> <li>(iv) Dealing with complaints and allegations against the firm or any employees of it of non-compliance with professional standards or appropriate regulatory requirements by a person within or outside the firm.</li> <li>(v) Taking appropriate remedial actions against the personnel who did not conform to QC policies.</li> <li>(vi) Taking action when deficiencies in the design or operation of the firm’s QC policies and procedures, or non-compliance with the firm’s system of QC are identified.</li> </ul>

### SA 220 - Quality Control for an Audit of F.S.

SQC 1 vs. SA 220	S.N.	SQC 1	SA 220
	1	SQC 1 applies to entire firm & fixes the responsibility of firm to be assumed by CEO or managing partners.	SA 220 applies to a particular audit engagement & EP takes responsibility of the same.
	2	SQC 1 is applicable to audits, reviews of historical financial Information, other assurance & related services engagements.	SA 220 is applicable to audit engagements only.

	3	SQC 1 relates to setting up of a quality control system consisting of policies and procedures for firm as a whole.	SA 220 deals with responsibilities of ETs to implement QC procedures that are applicable to audit engagements.
	4	SQC 1 pertains to establishing a system of QC designed to provide firm with a reasonable assurance that a firm and its personnel comply with professional standards & regulatory & legal requirements so that reports issued by firm/EPs are appropriate.	SA 220 is premised on the basis that firm is subject to SQC 1. Therefore, SQC 1 is a <i>sine qua non</i> for applicability of SA 220. It is within overall context of a firm's system of QC, ETs implement QC procedures applicable to audit engagements.

### Mechanisms for review of Quality Control

<b>Peer Review Board (PRB)</b>	<p>PRB is constituted by Council of ICAI. Main objective of PRB is to ensure that, in carrying out assurance assignments:</p> <p>(a) Technical, professional and ethical standards including regulatory requirements are complied with by members of ICAI.</p> <p>(b) Proper systems are in place including documentation thereof which amply demonstrate quality of assurance services provided by members.</p>
	<p><b>Points to remember</b></p> <ul style="list-style-type: none"> <li>• Peer review means an examination and review of the systems and procedures to determine whether the same have been put in place by the Practice Unit (PU) for ensuring the quality of assurance services as envisaged by the technical, professional and ethical Standards or any other regulatory requirements.</li> <li>• Peer review is meant to enhance quality of professional work resulting in more reliable and useful audit reports.</li> <li>• Once a PU is subjected to Peer review, its assurance engagement records pertaining to the Peer review period are subject to examination and review by the Peer Reviewer. On completion of this exercise, a "Peer Review Certificate" is issued in case of unqualified report issued by Peer Reviewer. In case of a qualified report, it is informed to the PU that same cannot be issued along with the reasons therefor as well as inform about the due date for conducting a follow-on review as may be decided by the Board.</li> </ul>
<b>Quality Review Board</b>	<ul style="list-style-type: none"> <li>• Quality review Board has been set up by C.G. It consists of members nominated by C.G. and Council of ICAI. The functions of QRB are: <ul style="list-style-type: none"> <li>(a) To make recommendations to the Council regarding the quality of services provided by the members of the Institute;</li> <li>(b) To review the quality of services provided by the members of the Institute including audit services and</li> <li>(c) To guide the members of the Institute to improve the quality of services and adherence to the various statutory and other regulatory requirements.</li> </ul> </li> <li>• Statutory auditors in respect of the companies are identified for their audit quality review based upon risk-based approach. The review is carried out by technical reviewers who are empanelled by QRB on engagement basis from across the country.</li> </ul>

<b>National Financial Reporting Authority (NFRA)</b>	<ul style="list-style-type: none"> <li>NFRA has been constituted in terms of Sec. 132(1) of Companies Act, 2013. Duties of NFRA also include the following: <ul style="list-style-type: none"> <li>(a) Monitor &amp; enforce compliance with ASs and auditing standards.</li> <li>(b) Oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service.</li> </ul> </li> <li>NFRA has power to monitor and enforce compliance with ASs and auditing standards and oversee the quality of service u/s 132(2) or undertake investigation u/s 132(4) of the auditors of certain class of companies. Such companies include listed companies, insurance companies, banking companies and other companies as provided for in Rule 3 of NFRA Rules, 2018.</li> </ul>
<b>Points to remember</b> <b>Overseeing quality of audit services of listed companies falls under the purview of NFRA. QRB can review quality of audit services provided by the members of the Institute only in respect of entities other than those specified under Rule 3 of NFRA Rules, 2018 and those referred to QRB by NFRA under relevant rules.</b>	

## Chapter 2 - General Auditing Principles & Auditor Responsibilities

**This chapter covers following topics:**

1. SA 240 (Covered in Ch. 1 of Old Syllabus)
2. SA 250 (Covered in Ch. 1 of Old Syllabus)
3. SA 260 (Covered in Ch. 1 of Old Syllabus)
4. SA 299 (Covered in Ch. 1 of Old Syllabus)
5. SA 402 (Covered in Ch. 1 of Old Syllabus)

**Note: Content of SA 200, 210 and 230 are not covered in Study Material of New Syllabus.**

### SA 240 "Auditor's Responsibilities relating to Fraud in an Audit of Financial Statements"

<b>Fraud Risk Factors</b>	<p>SA 240 defines the term Fraud Risk factors as "Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud".</p> <p>For example:</p> <ol style="list-style-type: none"> <li>(a) The need to meet expectations of third parties to obtain additional equity financing may create pressure to commit fraud;</li> <li>(b) The granting of significant bonuses if unrealistic profit targets are met may create an incentive to commit fraud; and</li> <li>(c) A control environment that is not effective may create an opportunity to commit fraud.</li> </ol>
<b>Evaluation of fraud risk factors by auditor</b>	
<ul style="list-style-type: none"> <li>Auditor shall evaluate whether one or more fraud risk factors are present. While fraud risk factors may not necessarily indicate the existence of fraud, they have often been present in circumstances where frauds have occurred and therefore may indicate RMM due to fraud.</li> <li>The fact that fraud is usually concealed can make it very difficult to detect. Hence, the determination of whether a fraud risk factor is present and whether it is to be considered in assessing the RMM of the F.S. due to fraud requires the exercise of professional judgment.</li> </ul>	

<b>Examples of Fraud Risk Factors</b>	<b>Relating to Fraud Financial reporting</b>	<b>Already Covered in Old Syllabus</b>
	<b>Misappropriation of Assets</b>	<b>Already Covered in Old Syllabus</b>

### SA 250 "Consideration of Laws and Regulations in an Audit of Financial Statements"

<b>Potential effects of inherent limitations on the auditor's ability to detect material misstatements</b>	<p>Owing to inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the SAs.</p> <p>In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:</p> <ul style="list-style-type: none"> <li>• There are many laws and regulations, relating principally to the operating aspects of an entity that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.</li> <li>• Non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the auditor.</li> <li>• Whether an act constitutes non-compliance is ultimately a matter for legal determination by a court of law.</li> </ul>
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### SA 260 "Communication with Those Charged with Governance"

<b>Matters to be communicated</b>	<b>Examples of Significant matters to be communicated to TCWG</b>	(1) Significant events or transactions that occurred during the year.
		(2) Business conditions affecting the entity, business plans and strategies that may affect the RMM.
		(3) Concerns about management's consultations with other accountants on accounting or auditing matters.
		(4) Discussions or correspondence in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services.
		(5) Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.
		<b>Circumstances in which auditor is required or may otherwise consider it necessary to include additional information in the auditor's report in accordance with the SAs, and for which communication with TCWG is required</b>
		(a) The auditor expects to modify the opinion in the auditor's report in accordance with SA 705.



		<p>(b) A material uncertainty related to going concern is reported in accordance with SA 570.</p> <p>(c) Key audit matters are communicated in accordance with SA 701.</p> <p>(d) The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matter paragraph in accordance with SA 706 or is required to do so by other SAs.</p> <p>(e) The auditor has concluded that there is an uncorrected material misstatement of the other information in accordance with SA 720.</p>
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### SA 402 "Audit Considerations Relating to an Entity Using Service Organisations"

<b>Using Type 1 or Type 2 Report</b>	<ul style="list-style-type: none"> <li>• In determining the sufficiency and appropriateness of the audit evidence provided by a Type 1 or Type 2 report, the user auditor shall be satisfied as to: <ul style="list-style-type: none"> <li>(a) The service auditor's professional competence (except where the service auditor is a member of the ICAI) and independence from the service organisation; and</li> <li>(b) The adequacy of the standards under which the Type 1 or Type 2 report was issued.</li> </ul> </li> <li>• If the user auditor plans to use a Type 1 or Type 2 report as audit evidence to support the user auditor's understanding about the design and implementation of controls at the service organisation, the user auditor shall: <ul style="list-style-type: none"> <li>(a) Evaluate whether the description and design of controls at the service organisation is at a date or for a period that is appropriate for the user auditor's purposes;</li> <li>(b) Evaluate the sufficiency and appropriateness of the evidence provided by the report for the understanding of the user entity's internal control relevant to the audit; and</li> <li>(c) Determine whether complementary user entity controls identified by service organisation are relevant to the user entity and, if so, obtain an understanding of whether the user entity has designed and implemented such controls.</li> </ul> </li> <li>• Complementary user entity controls refer to controls that the service organisation assumes, in the design of its service, will be implemented by user entities, and which, if necessary to achieve control objectives, are identified in the description of its system.</li> </ul>
<b>Tests of Controls</b>	<p>When the user auditor's risk assessment includes an expectation that controls at the service organisation are operating effectively, the user auditor shall obtain audit evidence about the operating effectiveness of those controls from one or more of the following procedures:</p> <ul style="list-style-type: none"> <li>(a) Obtaining a Type 2 report, if available;</li> <li>(b) Performing appropriate tests of controls at the service organisation; or</li> <li>(c) Using another auditor to perform tests of controls at the service organisation on behalf of the user auditor.</li> </ul>
	<p><b>Using a Type 2 report as audit evidence that controls at the service organisation are operating effectively</b></p>
	<p>If, the user auditor plans to use a Type 2 report as audit evidence that controls at the service organisation are operating effectively, he shall determine whether the service auditor's report provides SAAE about the effectiveness of the controls to support the user auditor's risk assessment by:</p>

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|  | <p>(a) Evaluating whether the description, design and operating effectiveness of controls at the service organisation is at a date or for a period that is appropriate for the user auditor's purposes;</p> <p>(b) Determining whether complementary user entity controls identified by the service organisation are relevant to the user entity and, if so, obtaining an understanding of whether the user entity has designed and implemented such controls and, if so, testing their operating effectiveness;</p> <p>(c) Evaluating the adequacy of the time period covered by the tests of controls and the time elapsed since the performance of the tests of controls; and</p> <p>(d) Evaluating whether the tests of controls performed by the service auditor and the results thereof, as described in the service auditor's report, are relevant to the assertions in the user entity's F.S. and provide SAAE to support the user auditor's risk assessment.</p> |
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### Chapter 3 – Audit Planning, Strategy and Execution

**This Chapter covers the following topics:**

1. **Audit Planning (Covered in Ch. 2 of Old Syllabus)**
2. **Audit Strategy (Covered in Ch. 2 of Old Syllabus)**
3. **Audit Programme (Covered in Ch. 2 of Old Syllabus)**
4. **SA 600 (Covered in Ch. 1 of Old Syllabus)**
5. **SA 610 (Covered in Ch. 1 of Old Syllabus)**
6. **SA 620 (Covered in Ch. 1 of Old Syllabus)**
7. **SA 540 (Covered in Ch. 1 of Old Syllabus)**
8. **SA 520 (Covered in Ch. 1 of Old Syllabus)**

**Note: Content of SA 450 is not covered in Study Material of New Syllabus.**

#### SA 620 "Using the Work of an Auditor's Expert"

**Evaluating the adequacy of Auditor's Expert Work**

##### **Evaluation of relevance & reasonableness of assumptions & methods**

- When auditor's expert's work is to evaluate underlying assumptions & methods, including models where applicable, used by management in developing an accounting estimate, the auditor's procedures are likely to be primarily directed to evaluating whether the auditor's expert has adequately reviewed those assumptions and methods.
- SA 540 discusses the assumptions and methods used by management in making accounting estimates, including the use in some cases of highly specialised, entity-developed models. Although that discussion is written in the context of the auditor obtaining SAAE regarding management's assumptions and methods, it may also assist the auditor when evaluating an auditor's expert's assumptions and methods.
- When an auditor's expert's work involves the use of significant assumptions and methods, factors relevant to the auditor's evaluation of those assumptions and methods include whether they are:
  - (a) Generally accepted within the auditor's expert's field;
  - (b) Consistent with the requirements of the applicable financial reporting framework;
  - (c) Dependent on the use of specialised models; and
  - (d) Consistent with those of management, and if not, the reason for, and effects of, the differences.



## Chapter 4 – Materiality, Risk Assessment and Internal Control

**This Chapter covers the following topics:**

1. **Audit Risk (Covered in Ch. 3 of Old Syllabus)**
2. **Risk Based Audit Approach (Covered in Ch. 3 of Old Syllabus)**
3. **Internal Control System – Nature, Scope, Objectives and Structure (Covered in Ch. 3 of Old Syllabus)**
4. **Components of Internal Control (Covered in Ch. 3 of Old Syllabus)**
5. **Review of Systems of Internal Control (Covered in Ch. 3 of Old Syllabus)**
6. **Internal Control Assessment and Evaluation (Covered in Ch. 3 of Old Syllabus)**
7. **Reporting to Clients on IC Weaknesses (Covered in Ch. 3 of Old Syllabus)**
8. **SA 265 & 330 (Covered in Ch. 1 of Old Syllabus)**
9. **Frameworks of Internal Controls (Covered in Ch. 3 of Old Syllabus)**

**Note: Content of SA 315, 320 are not covered in Study Material of New Syllabus.**

Audit Risk		
<b>Indicators of Possible Potential Misstatements</b>	<b>Completeness</b>	<ul style="list-style-type: none"> <li>• Transactions not identified.</li> <li>• Source documents not prepared.</li> <li>• Source documents not captured.</li> <li>• Rejected source documents not represented</li> </ul>
	<b>Existence</b>	<ul style="list-style-type: none"> <li>• Fictitious or unauthorised transactions entered on source documents.</li> <li>• Source documents overstated.</li> <li>• Transactions duplicated on source documents.</li> <li>• Capture of source documents duplicated.</li> <li>• Invalid source documents captured on subsidiary ledgers.</li> </ul>
	<b>Recording</b>	<ul style="list-style-type: none"> <li>• Source documents captured inaccurately.</li> <li>• Processing of transactions is inaccurate.</li> <li>• Inaccurate adjustments made in subsidiary ledgers.</li> </ul>
	<b>Cut-Off Procedures</b>	<ul style="list-style-type: none"> <li>• Transactions that occur in one period are recorded in another period.</li> </ul>

Internal Control System - Nature, Scope, Objectives and Structure	
<b>Structure of Internal Control</b>	<p>Internal Control structure in an organisation is referred to as the policies and procedures established by the entity to provide reasonable assurance that the objectives are achieved.</p> <p>Most of these policies and procedures cover:</p>
<b>Segregation of duties</b>	<ul style="list-style-type: none"> <li>• Transaction processing are allocated to different persons in such a manner that no one person can carry through the completion of a transaction from start to finish or the work of one person is made complimentary to the work of another person.</li> <li>• The purpose is to minimize the occurrence of fraud and errors and to detect them on a timely basis, when they take place.</li> <li>• The following functions are segregated:               <ol style="list-style-type: none"> <li>(a) authorization of transactions;</li> <li>(b) execution of transactions;</li> <li>(c) physical custody of related assets; and</li> <li>(d) maintenance of records and documents.</li> </ol> </li> </ul>

<b>Authorisation of Transactions</b>	<ul style="list-style-type: none"> <li>• Authorization may be general or specific with reference to a single transaction.</li> <li>• It is necessary to establish procedures which provide assurance that authorizations are issued by persons acting within the scope of their authority, and that the transactions conform to the terms of the authorizations.</li> </ul>
<b>Adequacy of records and documents</b>	<p>Accounting controls should ensure that:</p> <p>(a) Transactions are executed in accordance with management's general or specific authorization.</p> <p>(b) Transactions &amp; other events are promptly recorded at correct amounts.</p> <p>(c) Transactions should be classified in appropriate accounts and in the appropriate period to which it relates.</p> <p>(d) Transaction should be recorded in a manner so as to facilitate preparation of F.S. in accordance with applicable ASs, other accounting policies &amp; practices and relevant statutory requirements.</p> <p>(e) Recording of transaction should facilitate maintaining accountability for assets.</p> <p>(f) Assets and records are protected from unauthorized access, use or disposition.</p> <p>(g) Records of assets such as sufficient description of assets, its location should also be maintained so that the assets could be physically verified periodically.</p>
<b>Accountability and safeguarding of assets</b>	<ul style="list-style-type: none"> <li>• The process of accountability of assets commences from acquisitions of assets its use and final disposal.</li> <li>• Safeguarding of assets requires appropriate maintenance of records, their periodic reconciliation with the related assets.</li> </ul>
<b>Independent checks</b>	Independent verification of control systems, designed and implemented by the management, involves periodic or regular review by independent persons to ascertain whether the control procedures are operating effectively or not.

### Frameworks of Internal Controls

<b>Turnbull Report</b>	<p>Combined Code of the Committee on Corporate Governance (the Code) published by the London Stock Exchange and agreed by the Institute of Chartered Accountants in England &amp; Wales. The key principles of the Code are:</p> <p>(1) Board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.</p> <p>(2) Directors should, at least annually, conduct a review of effectiveness of group's system of internal control and should report to shareholders that they have done so. Review should cover all controls, including financial, operational and compliance controls and risk management.</p> <p>(3) Companies which do not have an internal audit function should from time to time review the need for one.</p>
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## Chapter 5 – Audit Evidence

Refer SA 500, 501, 505, 510, 530, 550 (Covered in Ch. 1 of Old Syllabus)

Note: Only Overview is covered in Study Material of New Syllabus.

## Chapter 6 – Completion and Review

Refer SA 560, 570 and 580 (Covered in Ch. 1 of Old Syllabus)

Note: Only Overview is covered in Study Material of New Syllabus.

## Chapter 7 – Reporting

This Chapter covers the following topics:

1. SA 700, 701, 705, 706, 710 and 720 (Covered in Ch. 1 of Old Syllabus)
2. Notes on Accounts & Qualifications; Audit Reports & Certificates (Covered in Ch. 7 of Old Syllabus)
3. Duties of Auditor - Sec. 143 & 145 (Covered in Ch. 6 of Old Syllabus)
4. CARO, 2020 (Covered in Ch. 8 of Old Syllabus)

### SA 701 “Communicating Key Audit Matters in the Independent Auditor’s Report”

<b>Relationship between KAM, Auditor’s Opinion &amp; Other Elements</b>	<ul style="list-style-type: none"><li>• SA 700 establishes requirements and provides guidance on forming an opinion on F.S. Communicating KAM is not a substitute for disclosures in F.S. that the applicable FRF requires management to make, or that are otherwise necessary to achieve fair presentation.</li><li>• SA 705, addresses circumstances in which auditor concludes that there is a material misstatement relating to the appropriateness or adequacy of disclosures in the F.S.</li><li>• When auditor expresses a qualified or adverse opinion in accordance with SA 705, presenting description of a matter giving rise to modified opinion in Basis for Qualified (Adverse) Opinion section helps to promote intended users’ understanding and to identify such circumstances when they occur. Separating the communication of this matter from other KAM described in KAM section, gives it appropriate prominence in auditor’s report.</li><li>• Further, when auditor expresses a qualified or adverse opinion, communicating other KAM would still be relevant to enhancing intended users’ understanding of the audit, and therefore the requirements to determine KAM apply. However, if an adverse opinion is expressed in circumstances, auditor may determine that no other matters are KAMs.</li></ul>
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### SA 705 “Modifications to the Opinion in the Independent Auditor’s Report”

<b>Limitation after the Auditor Has Accepted the Engagement</b>	<ul style="list-style-type: none"><li>• If, after accepting the engagement, auditor becomes aware that management has imposed a limitation on scope of audit that he considers likely to result in need to express a qualified opinion or to disclaim an opinion, he shall request management to remove limitation.</li><li>• If management refuses to remove limitation, auditor shall communicate the matter to TCWG &amp; determine whether it is possible to perform alternative procedures to obtain SAAE.</li><li>• If auditor is unable to obtain SAAE, he shall determine the implications as follows:<ol style="list-style-type: none"><li>(a) If auditor concludes that possible effects on the F.S. of undetected misstatements, if any, could be material but not pervasive, the auditor shall qualify the opinion; or</li></ol></li></ul>
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- (b) If auditor concludes that possible effects on the F.S. of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation, the auditor shall:
- (i) Withdraw from the audit, where practicable and possible; or
  - (ii) If withdrawal from the audit before issuing the auditor's report is not practicable or possible, disclaim an opinion on the financial statements.
- If auditor withdraws, before withdrawing, auditor shall communicate to TCWG any matters regarding misstatements identified during audit that would have given rise to a modification of the opinion.

#### **Circumstances where Auditors' withdrawal is not permitted**

As per the directives contained in SEBI Circular, if the auditor proposes to resign:

- (a) within 45 days from end of any quarter of a period covered under the appointment, then auditor shall, before such resignation, issue audit/limited review report for such quarter.
- (b) after 45 days from the end of any quarter of a period covered under the appointment, then auditor shall, before such resignation, issue audit/Limited review report for such quarter as well as the next quarter.
- (c) If Limited review report has been issued for first three quarters, then auditor shall issue the audit report for the full year before resigning from the engagement.

**ICAI announcement on the Resignation of Auditor:** Auditor of an unlisted company shall not mention "professional pre-occupation" as a reason for the resignation. Auditor shall mention the reasons clearly for the resignation in the resignation letter issued to the Company.

### **Chapter 8 – Specialised Areas**

**SA 800, 805 and 810 – New Chapter Added in the Syllabus**

### **Chapter 9 – Audit Related Areas**

**SRS 4400 and 4410 - New Chapter Added in the Syllabus**

### **Chapter 10 – Review of Financial Information**

**SRE 2400 and 2410 - New Chapter Added in the Syllabus**

### **Chapter 11 – PFI and Other Assurance Services**

**SAE 3400, 3402 and 3420 - New Chapter Added in the Syllabus**

### **Chapter 12 – Digital Audit and Assurance**

**New Chapter Added in the Syllabus**

## Chapter 13 – Group Audits

Refer Chapter 9 “Audit of Consolidated F.S.” of Old Syllabus

### Concept of Consolidated Financial Statements (CFS)

<b>Information to be disclosed in CFS</b>	Following information is required to be disclosed in the CFS separately for the parent and each of its components: (a) amount of net assets and net assets as a percentage of consolidated net assets; (b) amount of share in profit or loss and the percentage share in profit or loss as a percentage of consolidated profit or loss; (c) amount in OCI and the percentage of OCI as a percentage of Consolidated OCI.
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### Auditor’s Considerations

<b>Verification of adjustment related with Impairment Loss</b>	<ul style="list-style-type: none"><li>• Goodwill arising on consolidation is carried at value determined at date of acquisition of component &amp; the same is to be tested for impairment loss at every balance sheet date.</li><li>• Examine whether parent has determined impairment loss. If yes, examine the procedure followed for determination of impairment loss.</li><li>• Ensure that amount determined is fair.</li><li>• In case amount been determined in foreign currency, verify if any amount of loss in local currency need to be adjusted from currency translation reserve due to movement in exchange rate from the date when the goodwill was first accounted for in the CFS of parent, to the date of determination of impairment loss.</li><li>• Perform audit procedures to understand and verify whether intragroup losses are indicating an impairment loss that requires recognition in the CFS.</li></ul>
<b>Special Considerations in case of different Reporting dates</b>	<ul style="list-style-type: none"><li>• F.S. of components used in consolidation should be drawn up to same reporting date as that of the parent. If it is not practicable, adjustments should be made for effects of significant transactions or other events that occur between those dates and date of the parent’s F.S.</li><li>• In any case, the difference between reporting dates should not be more than 6 months in case of F.S. under AS and 3 months in case of financial statements under Ind AS.</li><li>• Auditor of CFS should review other components’ results between its financial reporting date and that of parent for significant transactions or other events that have taken place during the period and therefore, need to be reflected in the CFS.</li><li>• Recognition should be given by disclosure or otherwise to the effect of intervening events which materially affect the financial position, results of operations or cash flows.</li><li>• Auditor should consider whether length of reporting periods and any difference in financial year-ends are the same from period to period. In case of any change that have a material effect on the F.S., ensure that entity discloses such changes and manner of treatment in F.S.</li></ul>

## Chapter 14A – Audit of Banks

Refer Chapter 18 “Audit of Banks” of Old Syllabus

## Chapter 14B – Audit of NBFC

Refer Chapter 19 “Audit of NBFC” of Old Syllabus

## Meaning and Types of NBFC

<b>Registration and regulation of NBFC</b>	<ul style="list-style-type: none"> <li>Sec. 45-IA of RBI (Amendment) Act, 1997 provides that no NBFC is allowed to commence or carry on the business of a NBFC without: <ul style="list-style-type: none"> <li>(a) obtaining a certificate of registration issued by the RBI; and</li> <li>(b) having the net owned fund (NOF) of ₹ 25 lakh or such other amount, not exceeding ₹ 100 crore, as the Bank may, by notification in the Official Gazette, specify.</li> </ul> <p><b>Note: For all companies currently applying for registration as a NBFC, minimum NOF requirement is ₹ 10 Crores (earlier it was ₹ 2 crores).</b></p> <p><b>All existing companies should meet NOF of ₹ 10 Crores in a phased manner by 31<sup>st</sup> March 2027. However, for NBFC-P2P, NBFC-AA, and NBFCs with no public funds and no customer interface, the NOF shall continue to be ₹ 2 Crore.</b></p> </li> <li>The registration is required where the financing activity is a principal business of the company.</li> </ul>
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## Chapter 15 – Audit of PSU

Refer Chapter 21 “Audit of PSU” of Old Syllabus

### Compliance Audit

<b>Compliance Audit Process</b>	<b>General principles &amp; Annual Compliance Audit Plan</b>	<ul style="list-style-type: none"> <li>Consider principles with ethical significance.</li> <li>Consider principles directly relating to compliance audit process.</li> <li>Determine Auditable entities, audit units and implementing units.</li> <li>Develop annual plan for compliance audits.</li> </ul>
	<b>Planning Compliance Audits</b>	<ul style="list-style-type: none"> <li>Determine compliance audit objective and scope.</li> <li>Develop audit strategy and plan.</li> <li>Identify subject matter and criteria.</li> <li>Understand entity, its environment and internal control.</li> <li>Establish materiality for planning purpose.</li> <li>Assess risk.</li> <li>Plan audit procedures.</li> </ul>
	<b>Performing the Audit &amp; Gathering Evidence</b>	<ul style="list-style-type: none"> <li>Gather evidence through various means.</li> <li>Continually update planning and risk assessment.</li> <li>Consider non-compliance that may indicate suspected unlawful acts.</li> </ul>
	<b>Evaluating Evidence &amp; Forming Conclusions</b>	<ul style="list-style-type: none"> <li>Evaluate whether sufficient and appropriate evidence is obtained.</li> <li>Consider materiality for reporting purposes.</li> <li>Form conclusions.</li> <li>Ongoing documentation, communication and quality control.</li> </ul>
	<b>Reporting</b>	<ul style="list-style-type: none"> <li>Prepare the report.</li> <li>Include responses from entity as appropriate.</li> <li>Follow-up previous reports as necessary.</li> </ul>



## Performance Audit

<b>Elements of Performance Audit</b>	Performance audits include evaluation of economy, efficiency and effectiveness.	
	<b>Economy Audit</b>	<b>Questions that may be asked in economy audit</b>
		<ol style="list-style-type: none"> <li>(1) Have the best prices been obtained for consultancy services?</li> <li>(2) Is there potential for reducing the cost of sickness absences?</li> <li>(3) Are there procedures in place to ensure that transport costs of food aid are the lowest available?</li> <li>(4) Has there been a waste of resources in achieving an output?</li> </ol>
	<b>Efficiency Audit</b>	<b>Questions that may be asked in efficiency audit</b>
<ol style="list-style-type: none"> <li>(1) How does cost per job created by a training programme for unemployed compare with similar costs per job elsewhere?</li> <li>(2) Could project X have been implemented differently that would have resulted in improved timeliness and quality?</li> <li>(3) Are adequate procedures &amp; criteria for prioritising and selecting transport infrastructure projects to ensure maximum impact in place?</li> <li>(4) Are schools maximising use of their IT equipment?</li> </ol>		
<b>Effectiveness Audit</b>	<b>Questions that may be asked in effectiveness audit</b>	
	<ol style="list-style-type: none"> <li>(1) Have infrastructure projects contributed to increased traffic flow while improving safety and reducing journey times?</li> <li>(2) Have suitable measures to monitor and mitigate the environmental impact in sector X been set up and properly implemented?</li> <li>(3) Are departments or entities achieving their objectives for all sectors of the community?</li> </ol>	
<b>Objectives of Performance Auditing</b>	<ul style="list-style-type: none"> <li>• Objectives of performance auditing are evaluation of economy, efficiency and effectiveness of policy, programmes, organization &amp; management.</li> <li>• Performance auditing focuses on areas in which it can add value which have the greatest potential for development and provides constructive incentives for the responsible parties to take appropriate action.</li> <li>• Regulations on Audit and Accounts issued by C&amp;AG lay down that the responsibility for the development of measurable objectives and performance indicators as also the systems of measurement rests with the Government departments or Heads of entities.</li> </ul>	

## Propriety Audit

<b>Functions of Auditor in context of Propriety Audit</b>	<ol style="list-style-type: none"> <li>(a) To see that all expenditure incurred are properly planned.</li> <li>(b) To see that size &amp; channels of expenditure are rightful &amp; expected to give maximum results.</li> <li>(c) To appraise whether those expenditure are likely to give optimum result.</li> <li>(d) To see that any substitute plan of action can bring about an improvement on current operation and as well as return from capital expenditure.</li> <li>(e) To examine the actions and decisions of the management to see that they are conducive to public interests and that they meet the standards of conduct.</li> </ol>
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## Chapter 16 – Internal Audit

Refer Chapter 13 “Internal Audit” of Old Syllabus.

Performing Internal Audit Engagement	
<b>Step 1</b>	<b>Obtain knowledge of the Business and its Environment</b> <ul style="list-style-type: none"><li>Internal Auditor must conduct meetings with key stakeholders, BoD &amp; Key management personals to obtain understanding of the organization’s business environment, operations, organization’s vision, mission and top management’s expectations from the audit functions.</li><li>Internal auditor must obtain understanding of:<ul style="list-style-type: none"><li>(a) Standard Operating Procedures and Financial Statement;</li><li>(b) IT landscape, various applications, ERP systems and MIS.</li><li>(c) Regulatory landscape and applicable laws and regulations.</li></ul></li></ul>
<b>Step 2</b>	<b>Perform Audit Planning</b> <ul style="list-style-type: none"><li>Plan audit engagement as per the SIA 310; Audit plan and scope must be approved by Audit Committee and BoD. Once approved, Audit Plan to be shared with the key managerial personals.</li><li>Conduct the opening meeting with key stakeholders before start of audit engagement and share details of Information and System Access required.</li><li>Detailed work plan must be prepared by audit managers and approved with Head of Internal Audit.</li><li>Work plan must be prepared after performing evaluation of all major underlying risks in process being reviewed and audit checks to be performed to assess the adequacy of control environment to mitigate such risks.</li></ul>
<b>Step 3</b>	<b>Gather required information</b> <ul style="list-style-type: none"><li>Obtain required information and perform checks to ensure correctness and integrity of information received.</li><li>Obtain the information directly from the source.</li></ul>
<b>Step 4</b>	<b>Perform audit checks</b> <ul style="list-style-type: none"><li>Collate all data and perform analytical procedures to identify key trends. Analytical procedures should be performed as per SIA 6, Analytical Procedures.</li><li>Wherever needed, Internal Auditor must select the sample in accordance with SIA 5, Sampling. Detailed audit testing must be performed as per the audit work plan.</li><li>Ensure adequate evidences must be collected in accordance to SIA 320, Internal Audit Evidence.</li><li>Internal Auditor must prepare detailed listed of Identified audit issues and controls gaps. Interim reports may be issued after proper review of the work performed as per the SIA 350, Review and Supervision of Audit Assignments.</li><li>Adequate document of the internal audit work papers needs to be ensured as per SIA 330, Internal Audit Documentation.</li></ul>
<b>Step 5</b>	<b>Reporting of Internal Audit Issues</b> <ul style="list-style-type: none"><li>Prepare a draft report of issues comprising of business process/function reviewed.</li><li>Management Action Plan should be agreed along with responsibility of action and timelines for actions. Internal Auditor shall review the status of actions taken by the management and report the status of such follow up in the audit report.</li></ul>

- Internal Auditor should circulate Final Report and present his findings to the Audit Committee.
- Adhere to SIA 360, Communication with Management and SIA 370, Reporting Results while sharing the result of internal audit with the stakeholders.

### Internal Audit Reports (SIA 370)

Explanatory Comments on elements of Internal Audit Report (SIA 370)	Elements of a typical Internal Audit Report
	<ol style="list-style-type: none"> <li>(1) Audit Scope performed</li> <li>(2) Audit period covered</li> <li>(3) Executive Summary</li> <li>(4) Summary of the critical findings</li> <li>(5) Detailed audit findings</li> <li>(6) Rating of highlighted issues (e.g High/Medium/Low) in accordance to the rating criteria approved by Audit Committee</li> <li>(7) Audit recommendation to improve control environment</li> <li>(8) Response received from responsible functional authority containing action plan and target timelines for action.</li> </ol>
Follow up	Elements of Action Taken Report
	<ol style="list-style-type: none"> <li>(1) Reference to the previous audit reporting containing the reported issues.</li> <li>(2) Implementation Action agreed by the management along with target implementation date</li> <li>(3) Status of action taken by management. The same may be classified under Implemented / Not Implemented.</li> <li>(4) Residual risk and rating for any unimplemented action.</li> <li>(5) Audit findings not implemented for long period of time.</li> <li>(6) Any critical audit finding that require immediate action for action or implementation.</li> </ol>

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### Miscellaneous Topics

Internal Audit as a Management Function	
	<ul style="list-style-type: none"> <li>• Management is a process by which affairs of an enterprise are conducted in such a manner that its goals &amp; objectives are attained through optimum utilisation of all available resources.</li> <li>• At the most fundamental level, management functioning is a set of 5 general functions: planning, organizing, staffing, directing and controlling. While the first four functions of planning, organizing, staffing and directing are critical attributes to create &amp; grow stakeholder's wealth while controlling is key to preserve stakeholder's wealth.</li> <li>• Internal audit provides independent assurance on effectiveness of internal controls and risk management processes to enhance governance and achieve organisational objectives.</li> <li>• Internal Audit is an important element of management controlling function, it helps management to set up appropriate systems and processes in place to mitigate risk while remaining independent to the operations.</li> <li>• Internal Auditor is expected to report on the identified gaps &amp; areas of weak internal control, further he is expected to identify root cause of problems and suggest appropriate mitigating steps and strengthen the internal controls environment of the organization.</li> <li>• Accordingly, Internal Audit is seen as an important function that helps management to achieve organization goals and perform its function in an orderly manner.</li> </ul>

<b>Audit Trail</b>	<ul style="list-style-type: none"> <li>Visible trail of evidence enabling a person to trace information contained in statements or reports back to original input source. Audit trails are a chronological record of the changes that have been made to the data. Any change to data including creating new data, updating or deleting data that must be recorded.</li> <li>Records maintained as audit trail may include the following information: <ul style="list-style-type: none"> <li>(a) when changes were made i.e., date and time (timestamp);</li> <li>(b) who made the change i.e., User Id;</li> <li>(c) what data was changed i.e., data/transaction reference; success/failure.</li> </ul> </li> <li>In order to demonstrate that the audit trail feature was functional, operated and was not disabled, a company would have to design and implement specific internal controls (predominantly IT controls) which in turn, would be evaluated by the auditors, as appropriate.</li> </ul>
<b>List of internal controls which may be required to be implemented and operated</b>	
	<ul style="list-style-type: none"> <li>Controls to ensure that the audit trail feature has not been disabled or deactivated.</li> <li>Controls to ensure that User IDs are assigned to each individual and that User IDs are not shared.</li> <li>Controls to ensure that changes to configurations of audit trail are authorized and logs of such changes are maintained.</li> <li>Controls to ensure that access to the audit trail (and backups) is restricted and access logs, whenever the audit trails have been accessed, are maintained.</li> <li>Controls to ensure that periodic backups of the audit trails are taken and archived as per the statutory period specified under the provisions of the Act.</li> </ul>

## Chapter 17 – Due Diligence, Investigation and Forensic Accounting

Refer Chapter 16 “Due Diligence, Investigation and Forensic Accounting” of Old Syllabus.

Investigation		
<b>Special Aspects in connection with Business Investigations</b>	<b>Studying economic and financial position of the business</b>	<p>Consider the following:</p> <ul style="list-style-type: none"> <li>(i) Adequacy or otherwise of fixed and working capital. Are these sufficient for the growth of the business?</li> <li>(ii) What will be trend of the sales and profits in the future? Establishing trend of sales, product-wise and area-wise will ordinarily help in drawing a conclusion on whether trend will be maintained in future.</li> <li>(iii) Whether profit which the business could be expected to maintain in the future would yield an adequate return on the capital employed?</li> <li>(iv) Whether the business is operating at its 100% capacity or improvements can be made to reach at full productivity?</li> </ul>
	<b>Assessing the Value of Trade Receivables</b>	<p>In assessing value of trade receivable, following should be considered:</p> <ul style="list-style-type: none"> <li>(i) Whether provision for bad debts have been made in years in which the relevant sales took place instead of in the year in which they have been written off.</li> <li>(ii) Length of the credit period allowed or any excessive discounts allowed throughout the period under investigation, to determine whether it has been necessary to increase continually the credit period in order to affect the sales.</li> </ul>

		<p>(iii) Debts should be classified according to their age. This would disclose the character of the parties with whom the company trades and the amount of working capital that will be necessarily blocked on this account in the course of business.</p> <p>(iv) Determine Debtors to Sales Ratio.</p>
	<b>Capital</b>	<p>(i) Ascertain whether capital is well balanced. This would not be the case if debentures &amp; preference share capital are disproportionately large as compared to the equity capital.</p> <p>(ii) Ascertain that amount of capital is reasonable compared to the value of fixed assets and the amount of working capital required.</p> <p>(iii) Study terms associated with the issue of capital; restriction on transferability of shares usually depresses value of share and business.</p>
	<b>Assessing Future Maintainable Turnover</b>	<p>Consider the following factors:</p> <p>(i) <b>Trend:</b> Whether in the past sales have been increasing consistently or they have been fluctuating. A proper study of this phenomenon should be made.</p> <p>(ii) <b>Marketability:</b> Is it possible to extend the sales into new markets or that these have been fully exploited? Product wise estimation should be made.</p> <p>(iii) <b>Political and economic considerations:</b> Are the policies pursued by the Government likely to promote the extension of the market for goods to other countries? Whether the sales in the home market are likely to increase or decrease as a result of various emerging economic trends?</p> <p>(iv) <b>Competition:</b> What is the likely effect on the business if other manufacturers enter the same field or if products which would sell in competition are placed on the market at cheaper price? Is the demand for competing products increasing? Is the company's share in the total trade constant or has it been fluctuating?</p>
	<b>Assessing Working Capital Requirements</b>	<p>Consider the following matters:</p> <p>(i) Has the ratio of inventory to turnover been increasing and if so, is it a continuing or only a temporary trend?</p> <p>(ii) Are the trade payables being paid promptly or is there a backlog which will have to be dealt with?</p> <p>(iii) What will be effect on inventory, trade receivables and trade payables, if the turnover is increased or if new products are introduced?</p>

### Investigations of Frauds

<b>(A)</b>	<b>Fraud Diamond</b>	<b>Four Elements of Fraud</b>
		<ul style="list-style-type: none"> <li>• <b>Incentive:</b> I want to, or have a need to, commit fraud.</li> <li>• <b>Opportunity:</b> There is a weakness in the system that the right person could exploit. Fraud is possible.</li> <li>• <b>Rationalization:</b> I have convinced myself that this fraudulent behavior is worth the risks.</li> <li>• <b>Capability:</b> I have the necessary traits and abilities to be the right person to pull it off. I have recognized this particular fraud opportunity and can turn it into reality.</li> </ul>

<b>(B)</b>	<b>Responses to Frauds</b>	<b>Factors affecting auditor's ability to detect frauds</b>
		<ul style="list-style-type: none"> <li>• Skillfulness of the perpetrator</li> <li>• Frequency &amp; extent of manipulation</li> <li>• Degree of collusion involved</li> <li>• Relative size of Individual amounts manipulated; and</li> <li>• Seniority of those individuals involved.</li> </ul>

**Forensic Accounting**

<b>Forensic Professional Accountant</b>	<b>Services rendered by Forensic Accountants</b>	<ol style="list-style-type: none"> <li>1. Financial Statement manipulations</li> <li>2. Fund diversions/Asset tracing</li> <li>3. Anti-Money laundering</li> <li>4. Licence Fees/Dues/Tax Evasion</li> <li>5. Related party transactions/valuations</li> <li>6. Valuations/Estimations of loss/damage</li> <li>7. Suspicious transactions under IBC (Insolvency and Bankruptcy Code)</li> </ol>
	<b>Skills to be possessed by Forensic Accountant</b>	<p>In order to properly perform the services a Forensic Accountant Professional must be</p> <ul style="list-style-type: none"> <li>• familiar with legal concepts and procedures;</li> <li>• have expertise in use of IT tools and techniques that facilitate data recovery and analysis; and</li> <li>• able to identify substance over form when dealing with an issue.</li> </ul>
<b>Forensic Accounting and Investigation Report</b>		<ul style="list-style-type: none"> <li>• Forensic Accounting &amp; Investigation Standard 510 deals with responsibility of Professional to issue a written report to the stakeholders at the conclusion of the assignment.</li> <li>• Reporting results and findings, is concluding part of the assignment. Since one engagement may include multiple assignments, multiple reports may have to be issued.</li> </ul>
	<b>Written Report</b>	<ul style="list-style-type: none"> <li>• Written report should convey the results, clearly and accurately.</li> <li>• Findings reported shall be based on reliable and relevant evidences.</li> <li>• Report should be precise and unambiguous.</li> </ul>
	<b>Report addressee and distribution</b>	Report shall be addressed to Primary Stakeholders and shared with other stakeholder(s) if required or otherwise permissible.
	<b>Format or Content of Report</b>	<ul style="list-style-type: none"> <li>• No fixed form or content of the report is mandated.</li> <li>• Report shall include certain key elements to enable the recipient to               <ol style="list-style-type: none"> <li>(a) understand the purpose of the assignment,</li> <li>(b) the extent and scope of work performed by the Professional,</li> <li>(c) any limitations, assumptions or disclaimers,</li> <li>(d) the facts and evidence gathered and</li> <li>(e) the conclusions drawn.</li> </ol> </li> <li>• Where form and content of report is mandated by the stakeholders, or specified by statutory or regulatory requirements, Professional shall report in line with those requirements.</li> </ul>



		<p><b>Key Elements of the Report</b></p> <ul style="list-style-type: none"> <li>Title, addressee and distribution list (if any).</li> <li>Scope and objectives of the assignment.</li> <li>Approach and broad work procedures undertaken.</li> <li>An Executive Summary of the results, covering all important aspects and the essence of the findings.</li> <li>Reference to use of an expert, where applicable.</li> <li>The fact that the assignment has been conducted in accordance with FAIS, or any material departures therefrom List of findings supported by key evidences, sources of evidences, and other relevant matter;</li> <li>Assumptions, limitations and disclaimers of the assignment</li> <li>Conclusions (if any) drawn from the assessment undertaken.</li> </ul>
	<b>Discussion of Draft report</b>	Where mandate of engagement requires a discussion of the findings with the subject party prior to finalisation, a summary of responses received from them shall be included in the report.
	<b>Assumptions and Limitations</b>	<ul style="list-style-type: none"> <li>Professional shall list any relevant assumptions made during the assignment having a significant bearing on the subject matter.</li> <li>Limitations, if any, imposed by management, should be covered in the report as a key element of the report.</li> <li>The report can, at best, highlight the circumstances and facts that may aid a stakeholder decision or further a civil or criminal investigation.</li> </ul>
	<b>Reporting Timelines</b>	<ul style="list-style-type: none"> <li>Report shall be issued within reasonable time frame as per the engagement terms.</li> <li>Professional may be required to provide interim reports as per the engagement terms which can be given to the extent practicable without compromising the progress of the investigation.</li> </ul>
<b>Forensic Accounting and Investigation Standards (FAIS)</b>		<ul style="list-style-type: none"> <li>FAIS are issued to ensure that members of ICAI deliver high quality output in the area of Forensic Accounting and Investigations.</li> <li>FAIS at a broad level seek to provide: <ul style="list-style-type: none"> <li>(a) Professionals with the minimum standards for undertaking FAI assignments;</li> <li>(b) Users of FAI services with an indication of the quality of service that can be expected from such engagements;</li> <li>(c) Regulators and Governmental agencies with an appreciation of what can be expected from FAI services; and</li> <li>(d) Everyone, guidance on matters of implementation and related practical issues.</li> </ul> </li> <li>Standards are intended to be principle-based, rather than rule based, thereby providing ample room for professional judgment when applying such principles to unique situations and under specific circumstances.</li> <li>If, for any reason, a member is unable to comply with any of requirements of FAIS, or if there is a conflict between Standards and other mandates, such as a statutory or regulatory requirement, the FAI report (or such similar communication) should draw attention to the material departures therefrom along with appropriate explanation.</li> </ul>

### Framework Governing Forensic Accounting and Investigations

- It aims to preserve and enhance the quality of practice of a member of ICAI performing forensic accounting & investigation services.
- This Framework needs to be read in conjunction with the Preface to the Forensic Accounting and Investigation Standards (FAIS).
- The main objectives of the Framework are to:
  - (a) Provide an overall understanding of Forensic Accounting and Investigations and its key components;
  - (b) Outline the manner in which these components come together in an inter-related cohesive manner when providing such services;
  - (c) Maintain and improve the quality of forensic accounting and investigation services.
- It comprises of four components inherent to the process of forensic accounting and investigations. These components implicitly form part of the FAIS, even though they may not be mentioned explicitly in the particular Standards. The four key components (forming the pillars) of the Framework are:
  - (i) Basic Principles of Forensic Accounting and Investigations.
  - (ii) Key Concepts.
  - (iii) Standards on Forensic Accounting and Investigations.
  - (iv) Guidance.

### Chapter 18 – SDG and ESG Assurance

**New Chapter Added in the Syllabus**

### Chapter 19 – Professional Ethics & Liabilities of Auditor

**Refer Chapter 5 “Professional Ethics” of Old Syllabus**

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