

# इशरान्शु

Last Mile Referencer for

## AUDITING

[Covering all Engagement & Quality Control Standards]



**The Institute of Chartered  
Accountants of India**

(Setup by an Act of Parliament)

**Board of Studies (Academic)**

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## **Saransh - Last Mile Referencer for Auditing**

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While due care has been taken in preparing this booklet, if any errors or omissions are noticed, the same may be brought to the notice of the Joint Director, BoS(A). The Council of the Institute is not responsible in any way for the correctness or otherwise of the matter published herein.

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**The Institute of Chartered Accountants of India**  
**'ICAI Bhawan' A-29, Sector-62,**  
**Noida 201 309**



# PREFACE

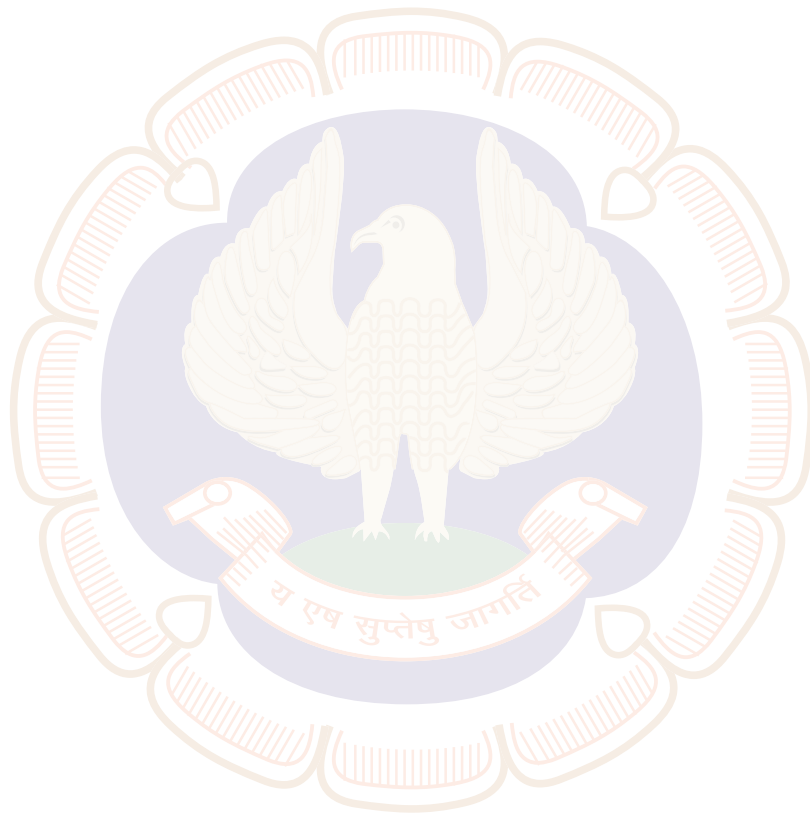
Board of Studies (Academic), the student wing of the Institute, does not leave any stone unturned in providing best-in-class services to its students. It imparts quality academic education through its value-added study materials, wherein concepts are explained in lucid language. Illustrations and Test Your Knowledge Questions contained therein facilitate enhanced understanding and application of concepts learnt. Multiple-Choice Questions (MCQ) Paper Practice Assessment Portal contain a rich bank of MCQs and Case Scenarios to hone the analytical skills of students, by applying the concepts learnt in problem solving. This portal helps the students to assess their level of understanding chapter-wise. Revision Test Papers contain updates and Q & A to help students update themselves with the latest developments before each examination and revise the concepts and provisions by solving questions contained therein. Suggested Answers containing the ideal manner of answering questions set at examination also helps students revise for the forthcoming examination. Mock Test Papers help students assess their level of preparedness before each examination. BoS (Academic) also conducts live virtual classes through eminent faculty for its students across the length and breadth of the country.

To reach out to its students, the BoS (Academic) has also been publishing subject-specific capsules in its monthly Students' Journal "The Chartered Accountant Student" for facilitating effective revision of concepts dealt with in different topics of each subject at the Foundation, Intermediate and Final levels of the chartered accountancy course. Each issue of the journal includes a capsule relating to specific topic(s) in one subject at each of the three levels. In these capsules, the concepts and provisions are presented in attractive colours in the form of tables, diagrams and flow charts for facilitating easy retention and quick revision of topics.

The BoS (Academic) is now coming out with the revised edition of the booklet 'Saransh - Last Mile Referencer for Auditing', covering all Engagement and Quality Control Standards, thereby helping students in effective revision and recap before examinations. In Auditing, the significant features of the Engagement and Quality Control Standards included within the scope of syllabi at intermediate and final levels are presented. The important concepts of Standards on Quality Control (SQC), Standards on Auditing (SAs), Standards on Review Engagement (SREs), Standards on Assurance Engagements (SAEs), and Standards on Related Services (SRSs) covered in syllabi have been explained precisely. Students would be able to grasp these significant concepts quickly with the help of this booklet.

**Happy Reading!**





## Message of Key ICAI Office Bearers



**CA. Aniket Sunil Talati**  
President, ICAI

At ICAI, we believe that continuously enhancing our educational materials is essential for the continued success of our students. In our ongoing commitment to update the educational content, we are pleased to announce the revised edition of Saransh – Last Mile Referencer on Auditing. This invaluable resource now incorporates all Engagement and Quality Control Standards in a concise and precise format. Our mission is to empower CA students by providing them with a updated material of these standards, enabling them to revise, recap and excel in their examinations.



**CA. Ranjeet Kumar Agarwal**  
Vice President, ICAI

ICAI consistently strives to keep its students well-informed about the dynamic landscape of accounting and auditing. In pursuit of this commitment, the Board of Studies (Academic) introduces an updated version of '**Saransh–Last Mile Referencer on Auditing**'. The latest version of Saransh now incorporates all Engagement and Quality Control Standards in a concise and precise form. This updated Saransh edition aims to further support students in their academic journey, equipping them with the knowledge necessary in the ever-evolving field of auditing and enabling them to perform well in examinations.



**CA. Vishal Doshi**  
Chairman, Board of Studies (Academic)

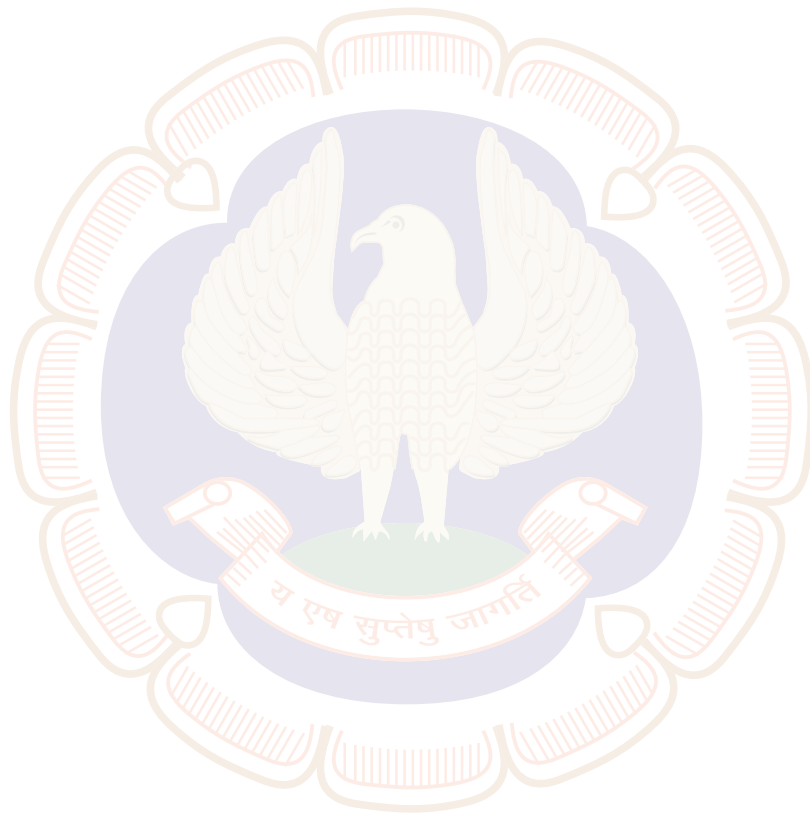
In our commitment to provide the most relevant and up-to-date content, the Board is happy to announce that the Saransh on Auditing now encompasses all Engagement and Quality Control Standards in a concise and precise form. By capturing key points in an easily accessible format, Saransh facilitates effective revision of concepts, offering students an overview of the standards. The content is thoughtfully presented using attractive colours, tables, diagrams, and flow charts, enhancing the visual appeal and aiding in quick comprehension and retention.



**CA. Dayaniwas Sharma**  
Vice-Chairman, Board of Studies (Academic)

The Board of Studies (Academic) is excited to introduce an updated version of Saransh – Last Mile Referencer on Auditing. Saransh represents our dedication to provide students with a concise and precise resource for quick understanding and revision of critical concepts. The inclusion of all Engagement and Quality Control Standards in the Auditing referencer ensures that students can grasp the essence of the subject more effectively, fostering a deeper comprehension. These capsules, thoughtfully designed to facilitate effective revision, play a pivotal role in elevating students' preparedness for examinations.







# The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)  
Board of Studies (Academic)

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**AUDITING**

**Engagement & Quality Control Standards**

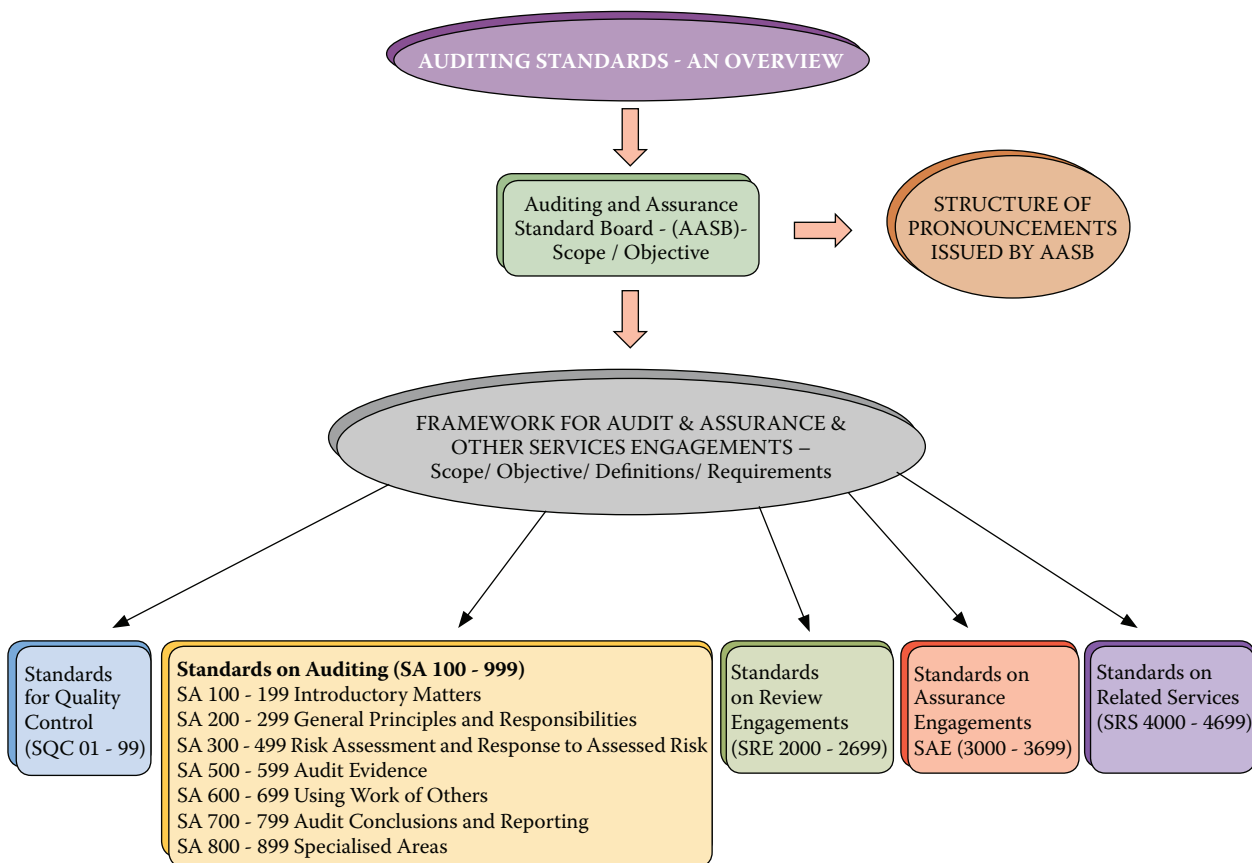
**International Auditing and Assurance Standards Board (IAASB):**

- The IFAC Board has established the IAASB to develop and issue, in the public interest and under its own authority, high quality auditing standards for use around the world.
- The IAASB functions as an independent standard setting body under the auspices of IFAC.

**Auditing and Assurance Standards Board (AASB):**

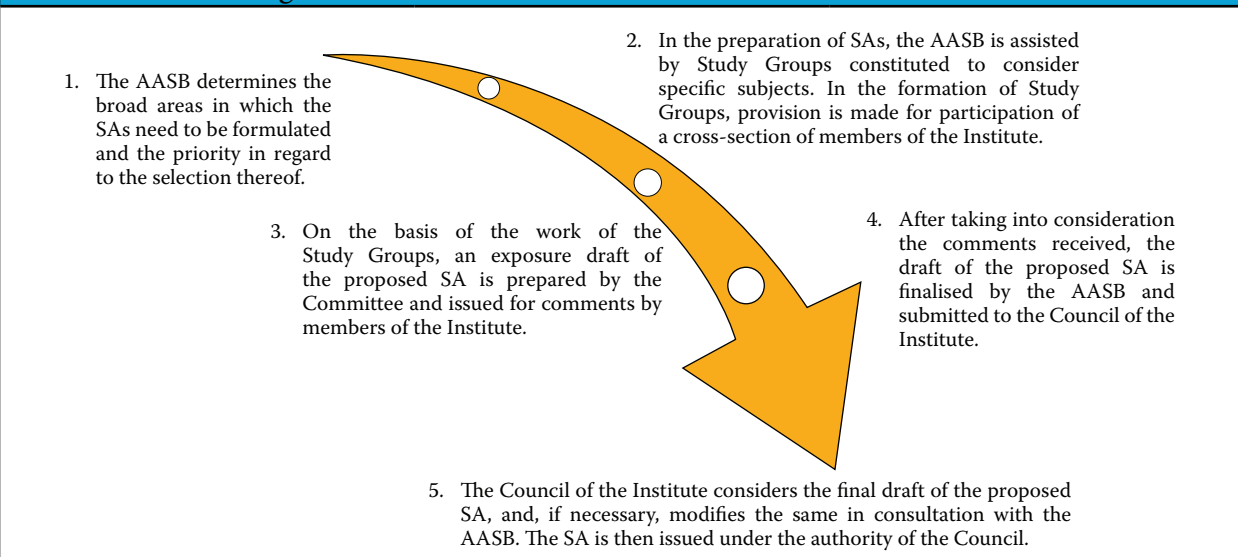
- ICAI is a member of the IFAC and is committed to work towards the implementation of the guidelines issued by the IFAC.
- ICAI constituted the AASB to review the existing auditing practices in India and to develop Engagement and Quality Control Standards so that these may be issued by the Council of the Institute.

Diagrammatic Representation of the Structure of Standards Under the New Preface

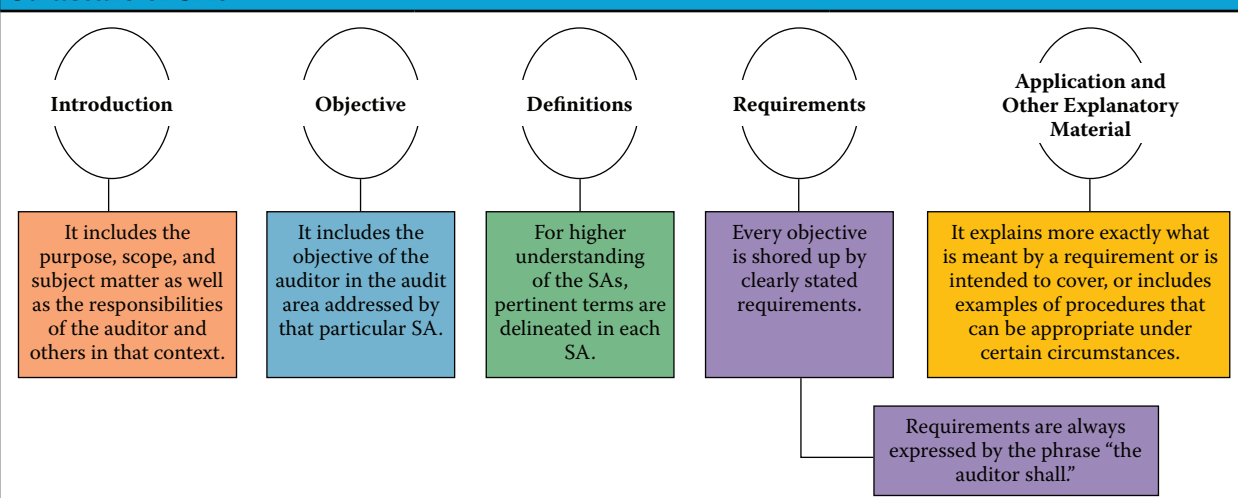




**Procedure for issuing SAs**



**Structure of SAs**



**Compliance with the SAs:**

While discharging their attest function, it is the duty of the members of the Institute to ensure that the SAs are followed in the audit of financial information covered by their audit reports.

If for any reason a member has not been able to perform an audit in accordance with the SAs, his report should draw attention to the material departures therefrom. Auditors are expected to follow SAs in the audits commencing on or after the date specified in the Standard. Further, compliance of SAs are mandatory requirement as per the Companies Act, 2013.

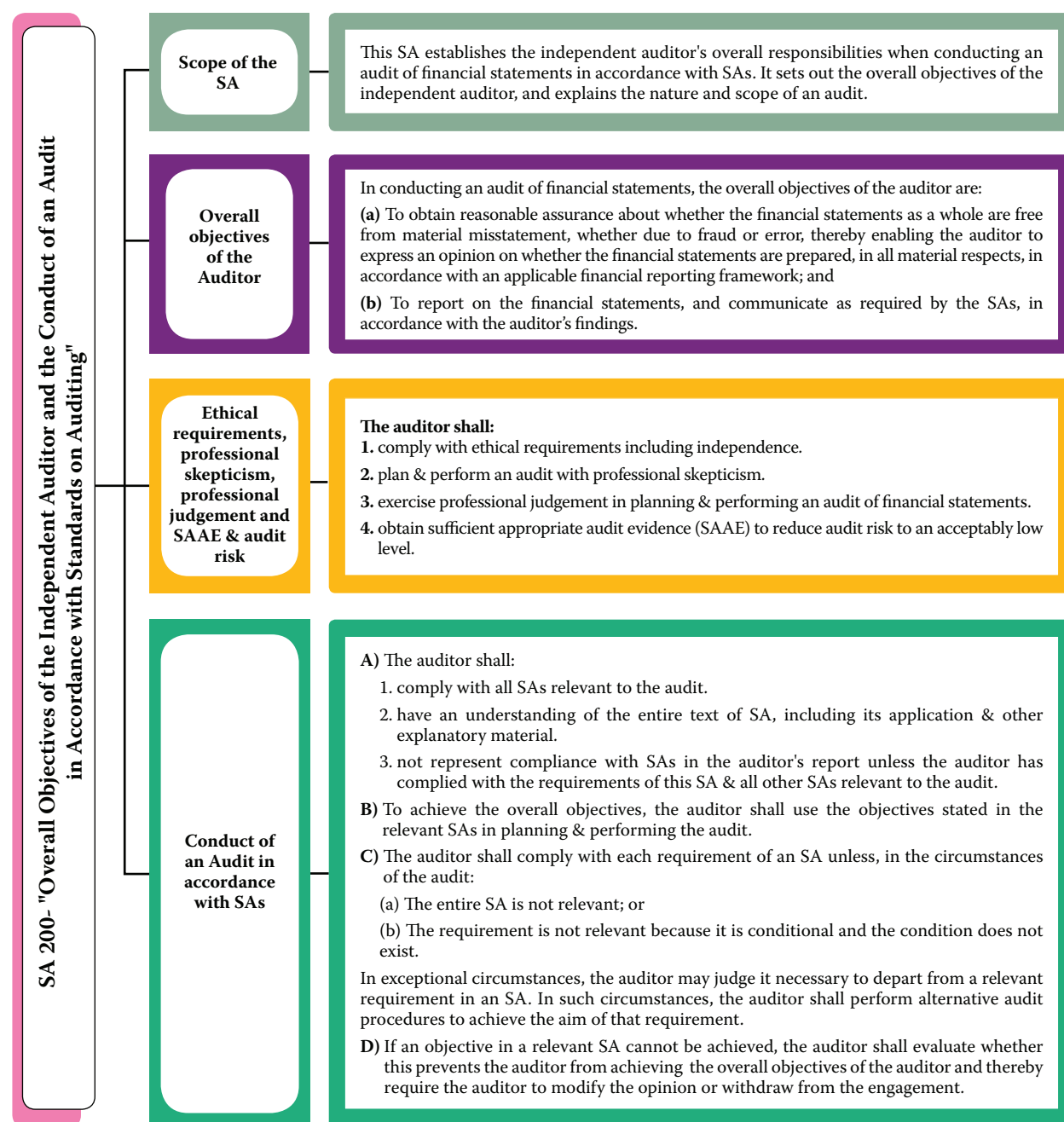
**Linkage between SAs and Disciplinary Proceedings:** The SAs (as well as other statements on auditing) represent the generally accepted procedure(s) of audit. As such, a member who does not perform his audit in accordance with these statements and fails to disclose the material departures there from, becomes liable to the disciplinary proceedings of the Institute. Chartered Accountants Act, 1949 states that a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if:

<i>he fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity.</i> <b>Clause 5 of Part I of the Second Schedule</b>	<i>he does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.</i> <b>Clause 7 of Part I of the Second Schedule</b>	<i>he fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances.</i> <b>Clause 9 of Part I of the Second Schedule</b>
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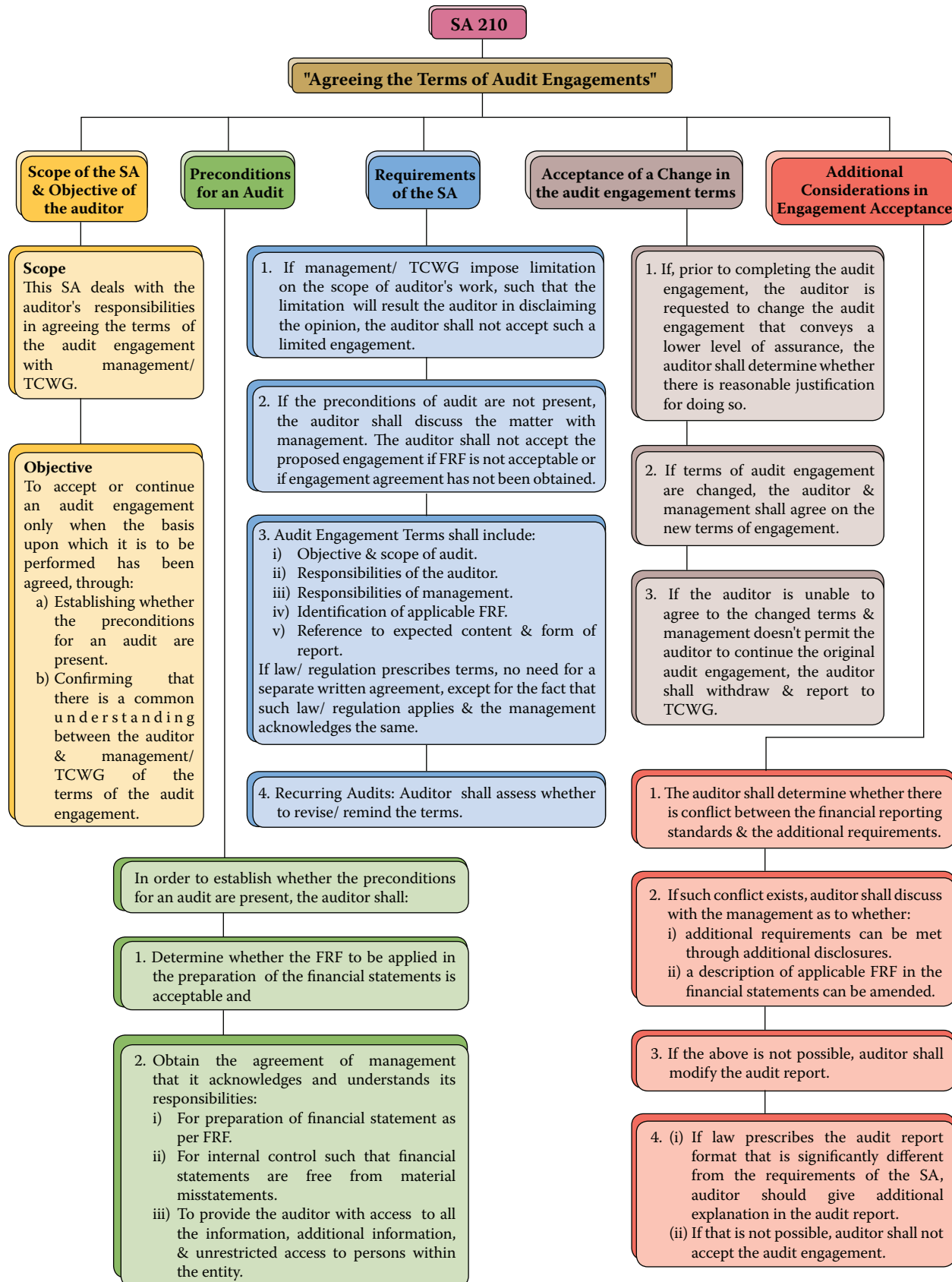
## Engagement &amp; Quality Control Standards

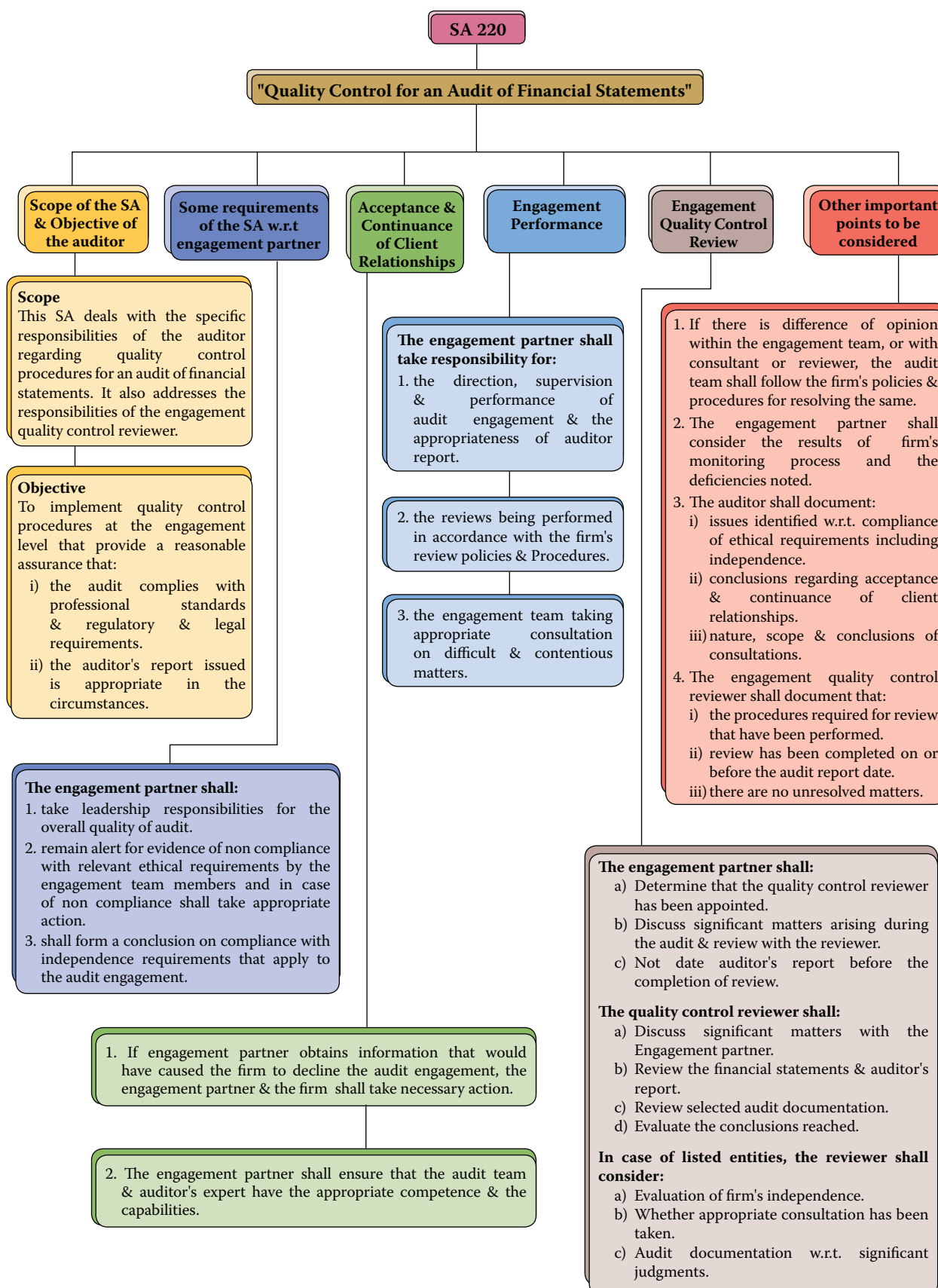


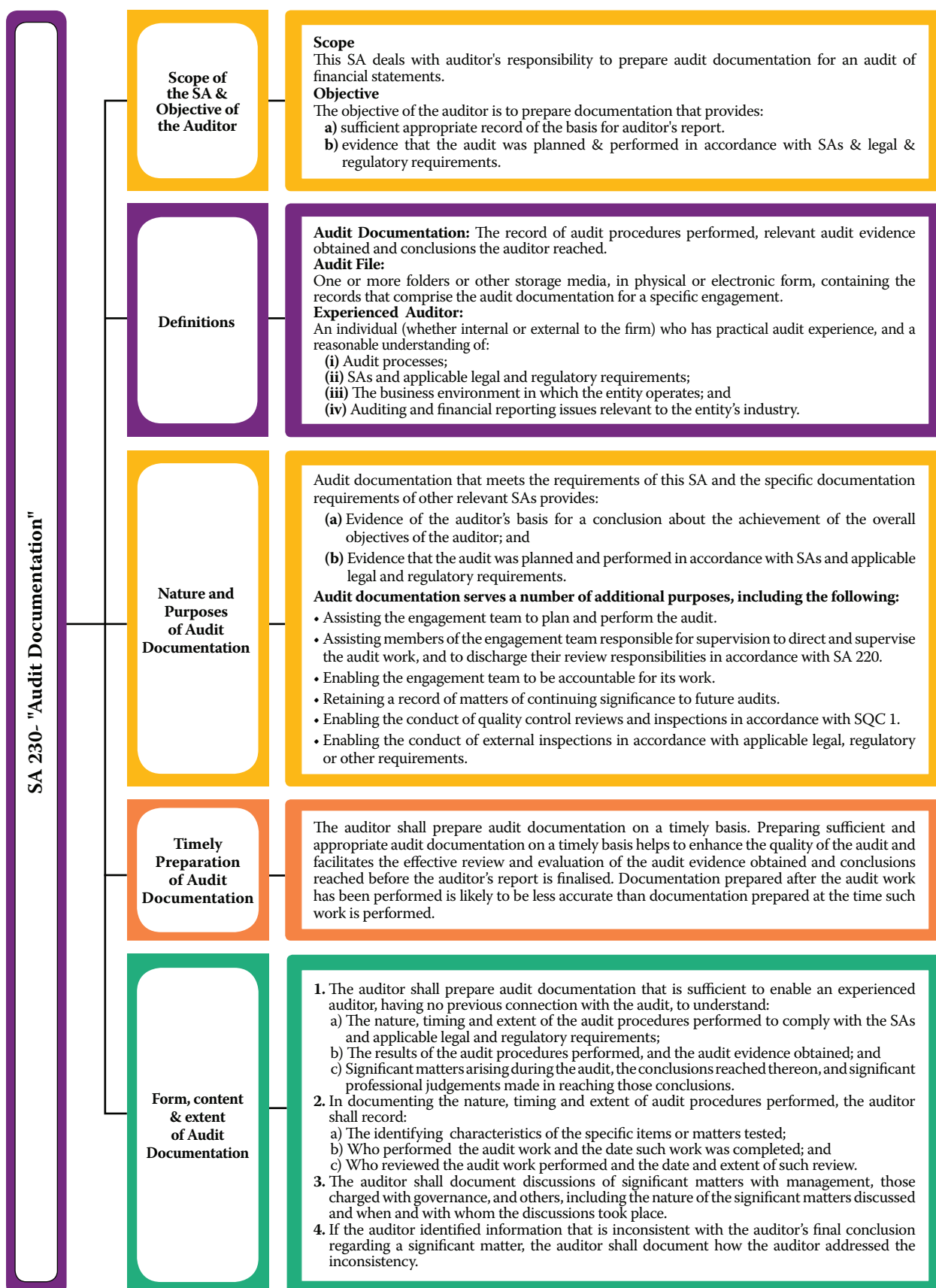
## SA 200 - 299 General Principles and Responsibilities

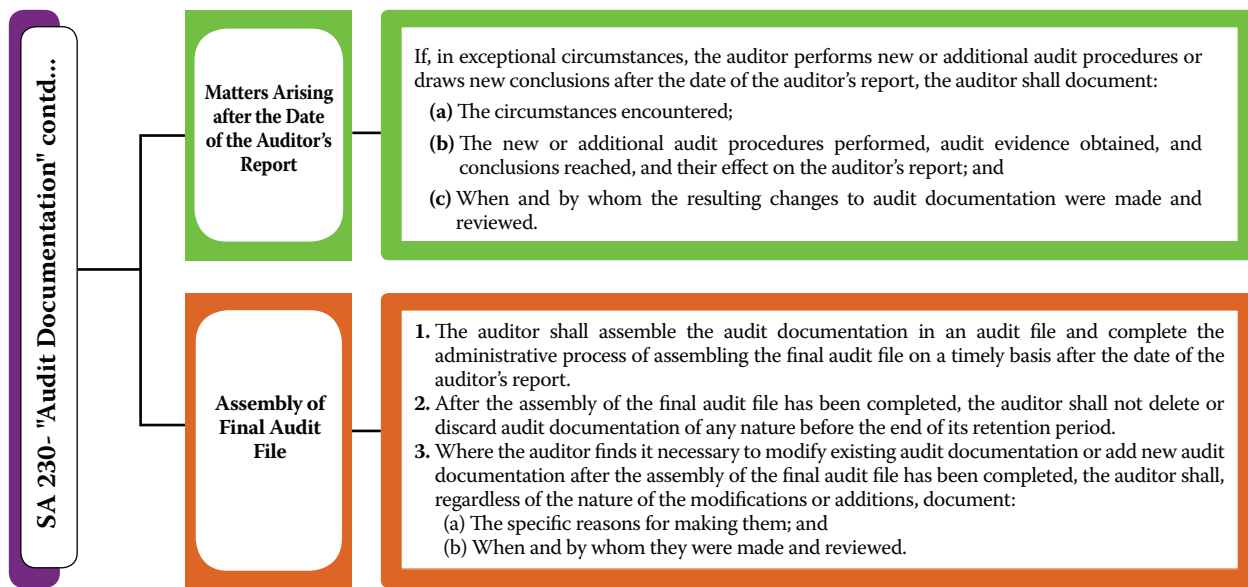


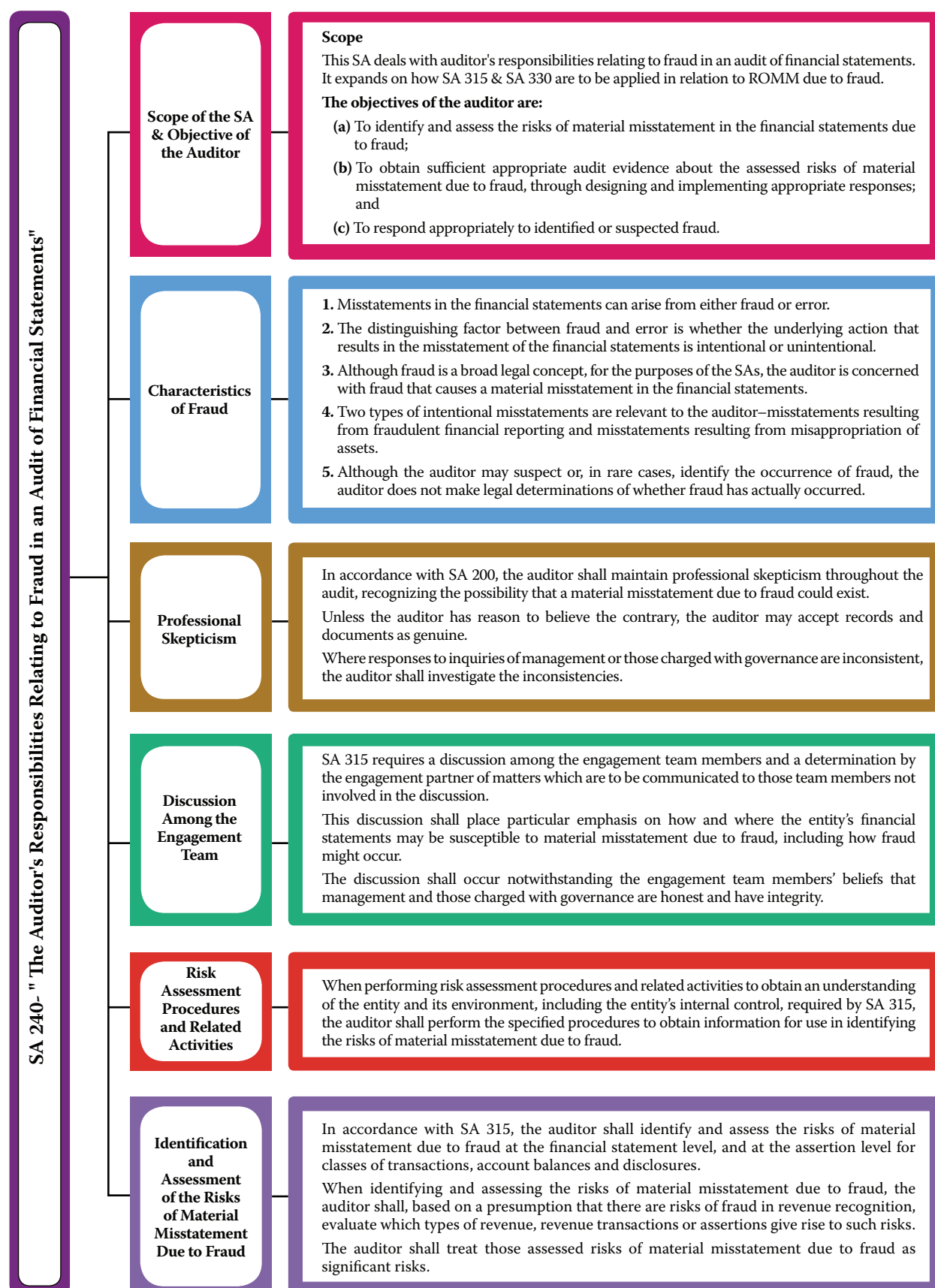
*"The more that you read, the more things you will know, the more that you learn, the more places you'll go." —Dr. Seuss*



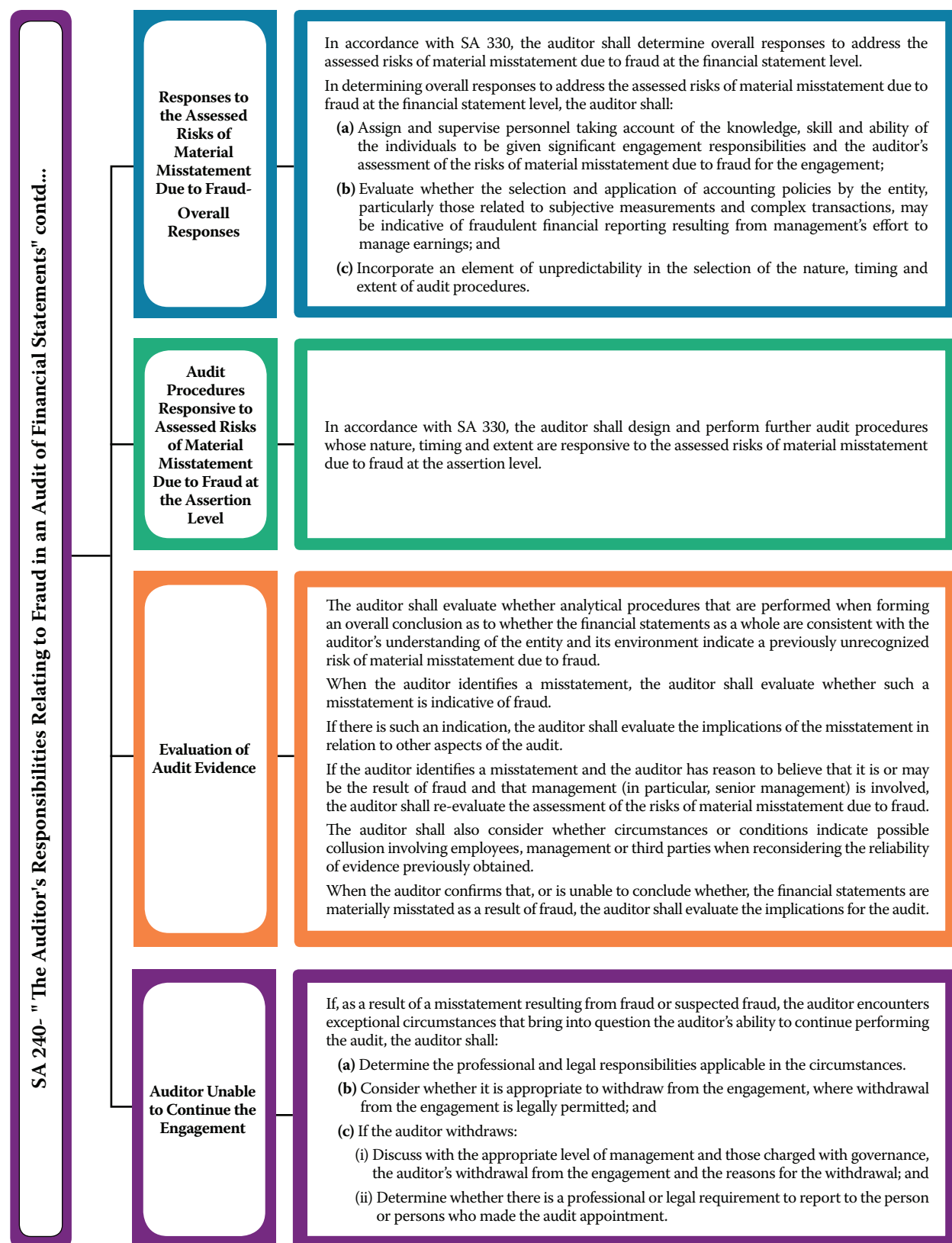


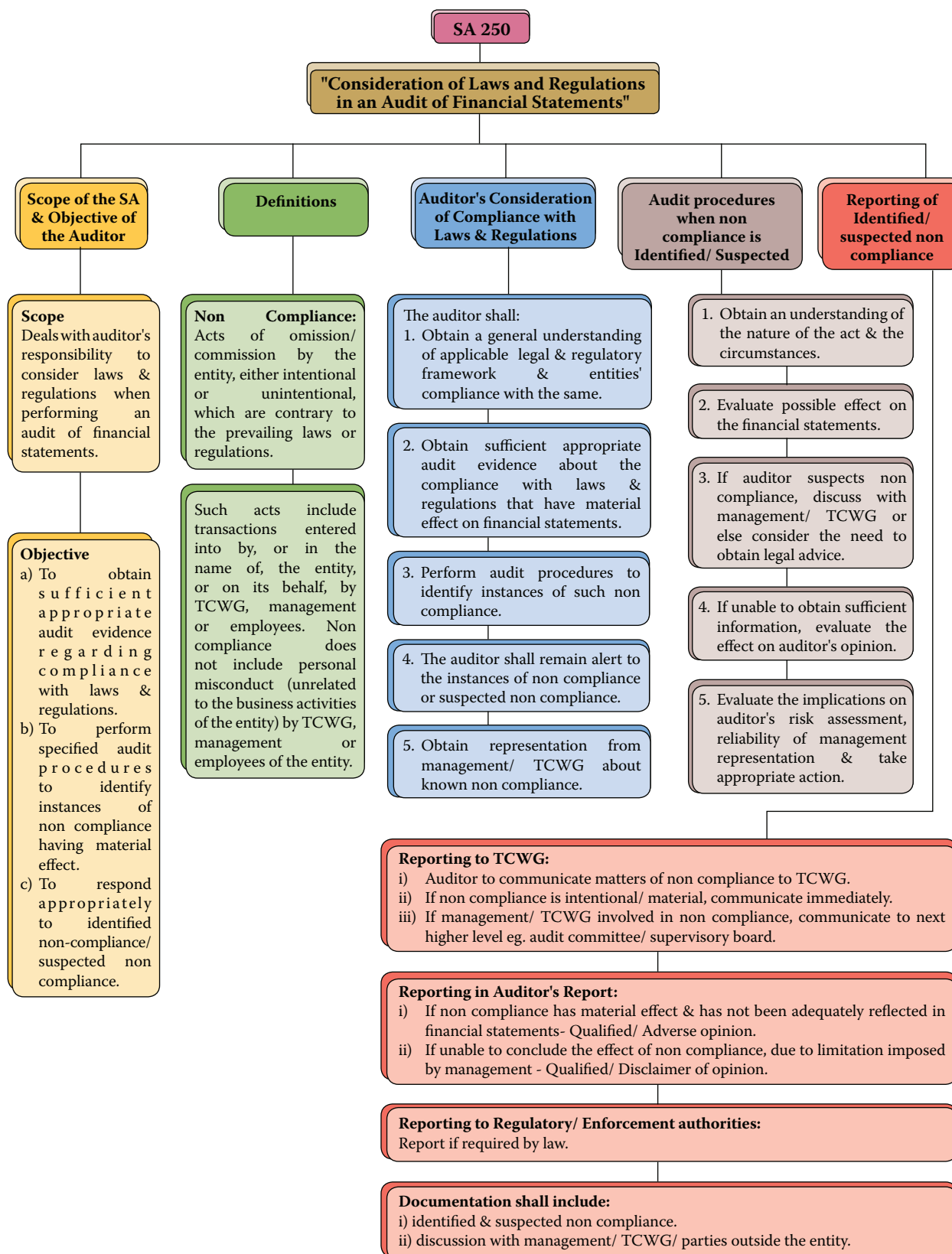


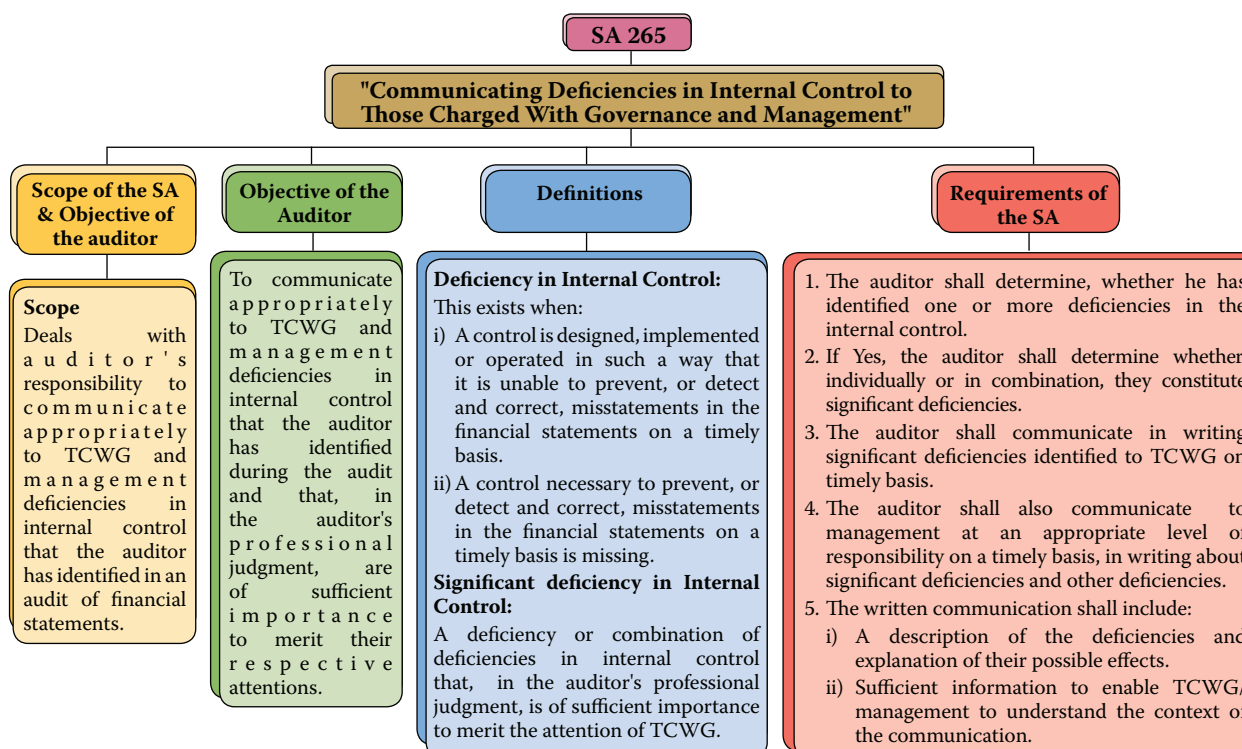
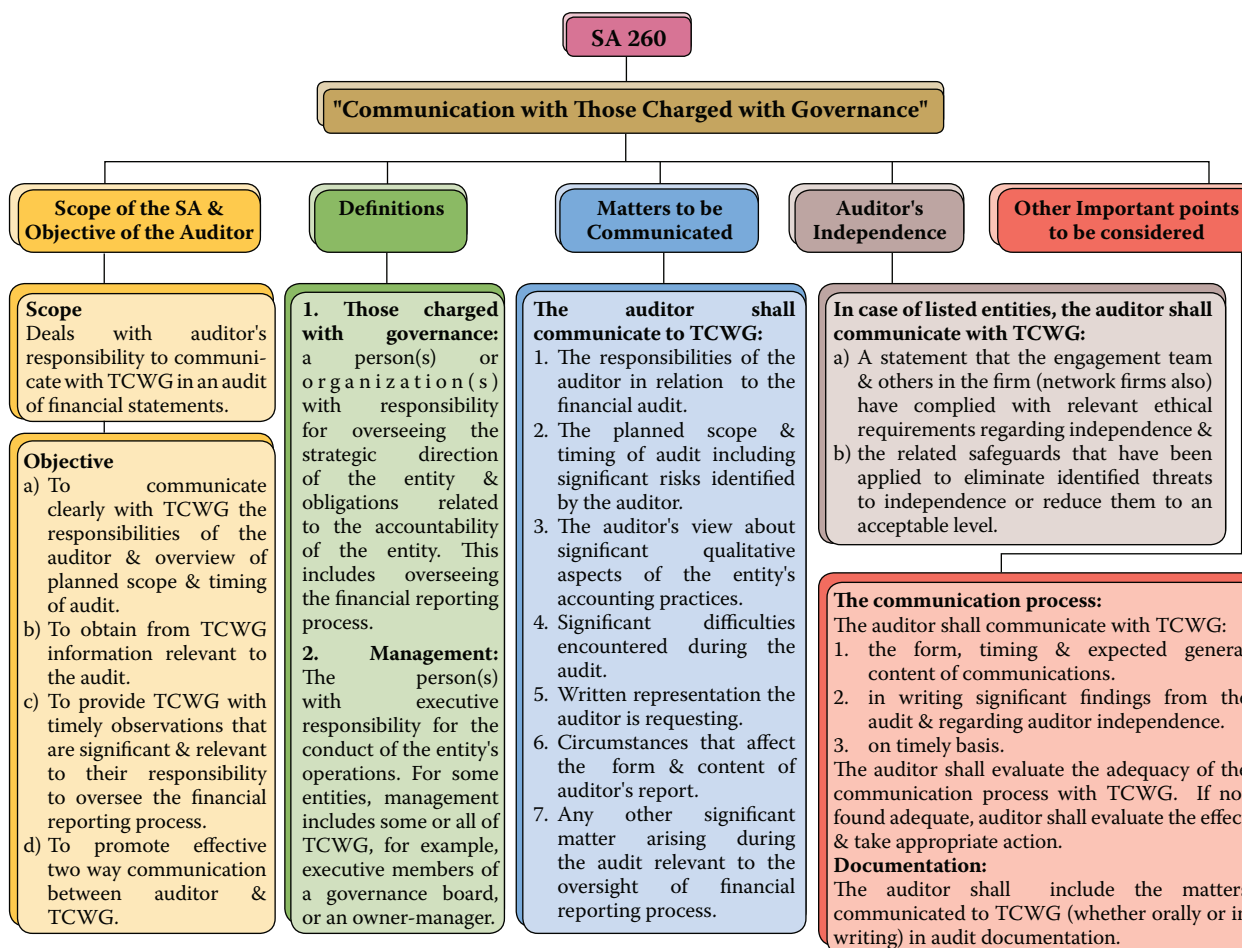


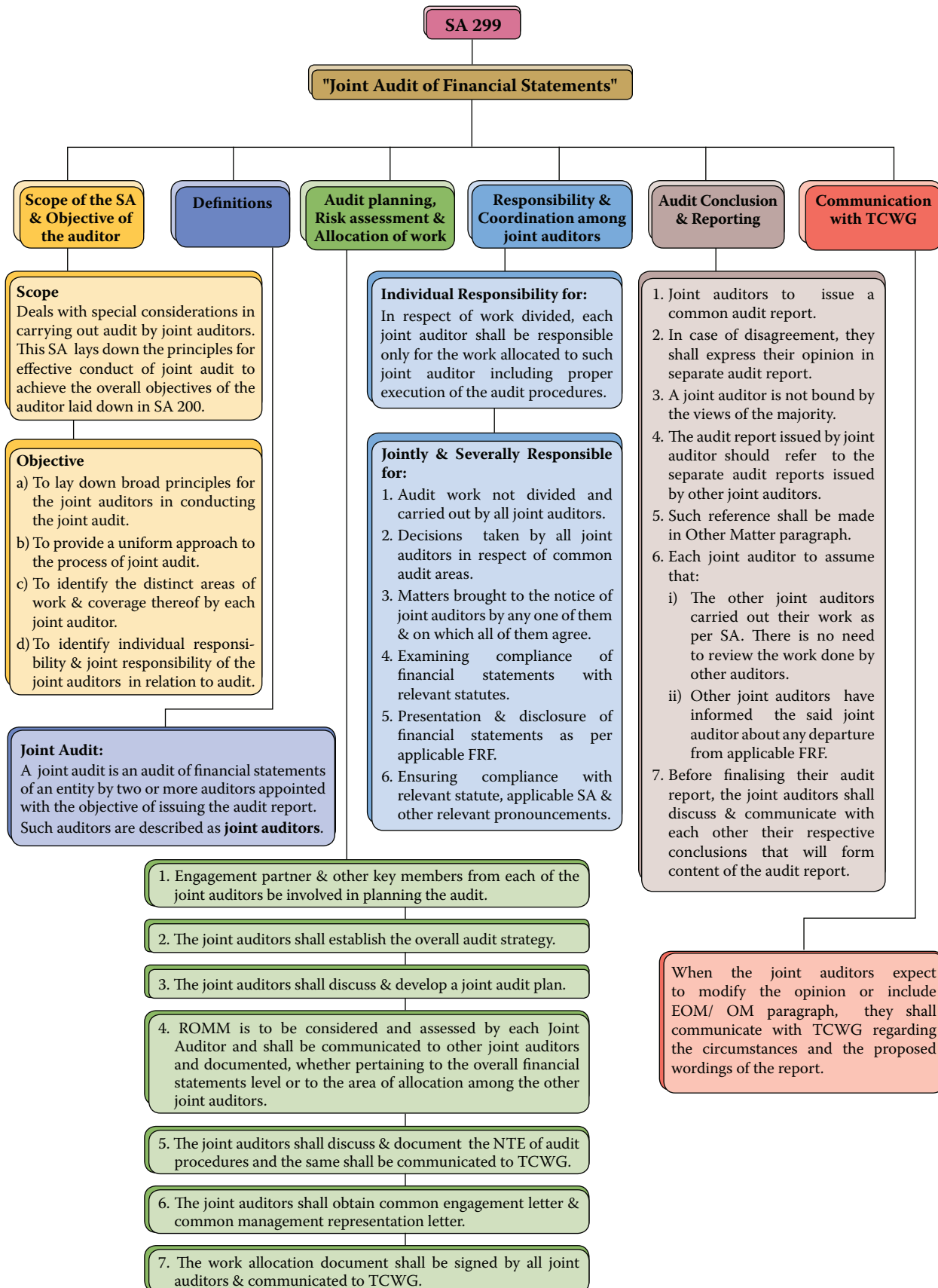




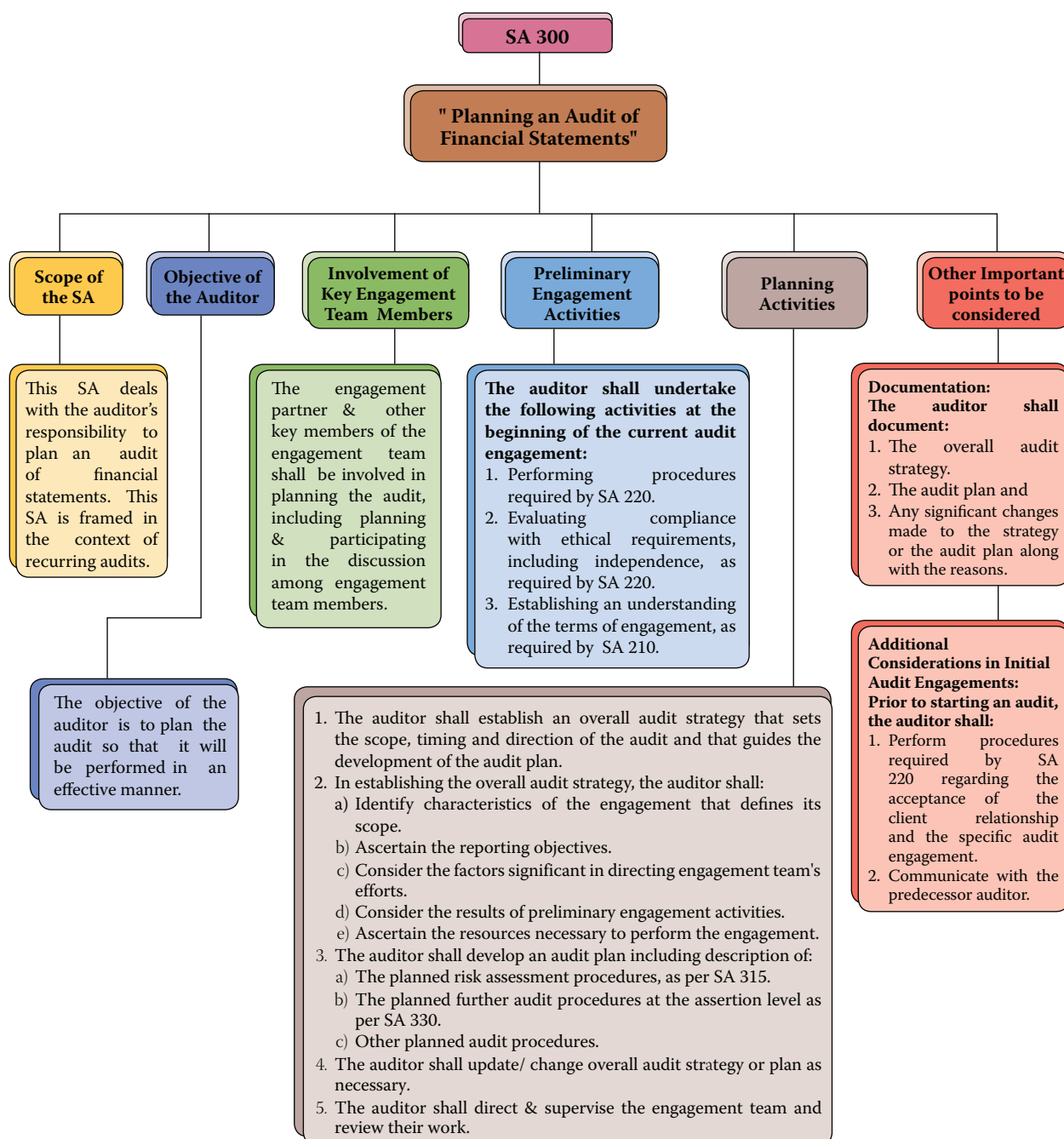


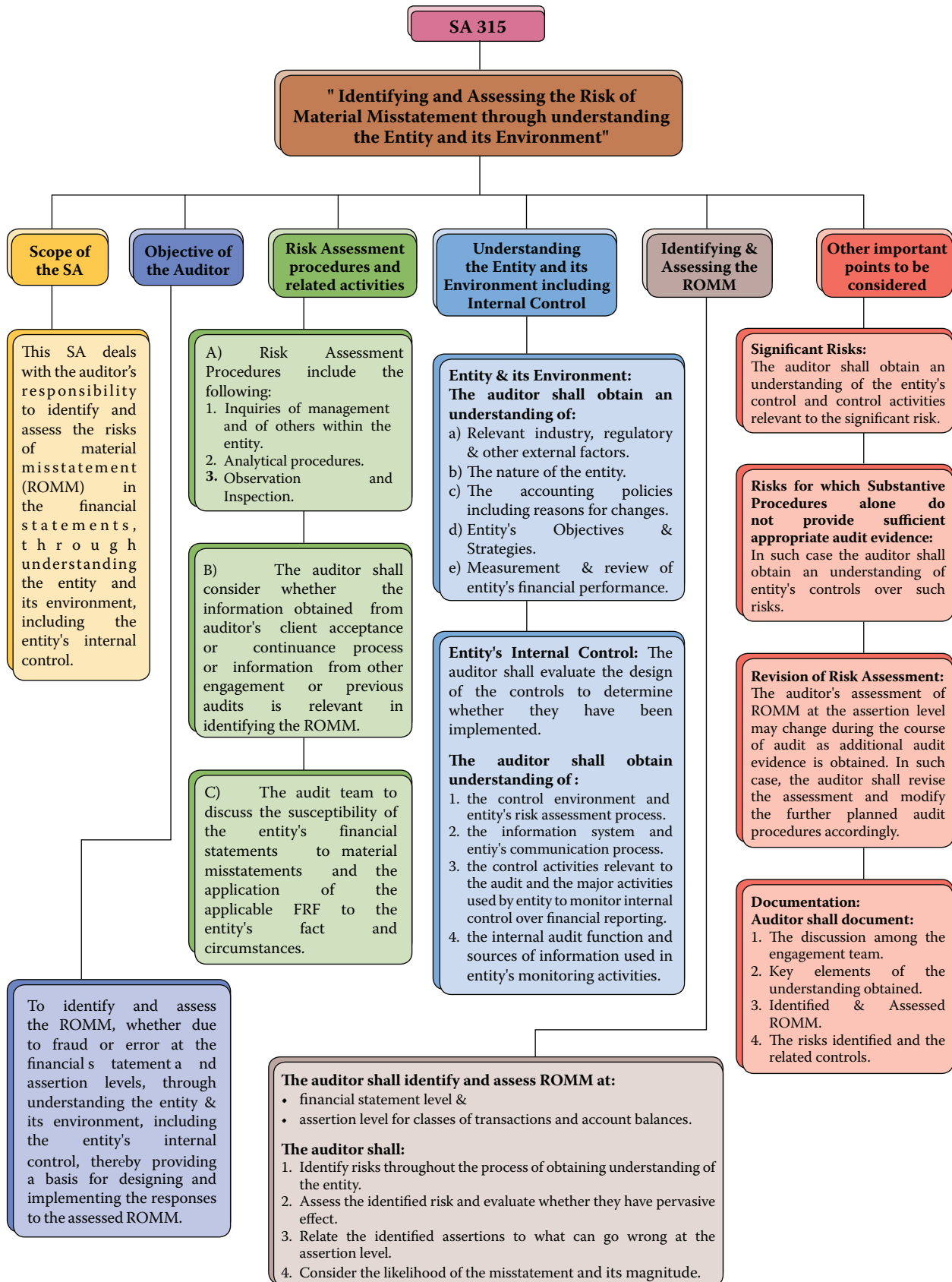


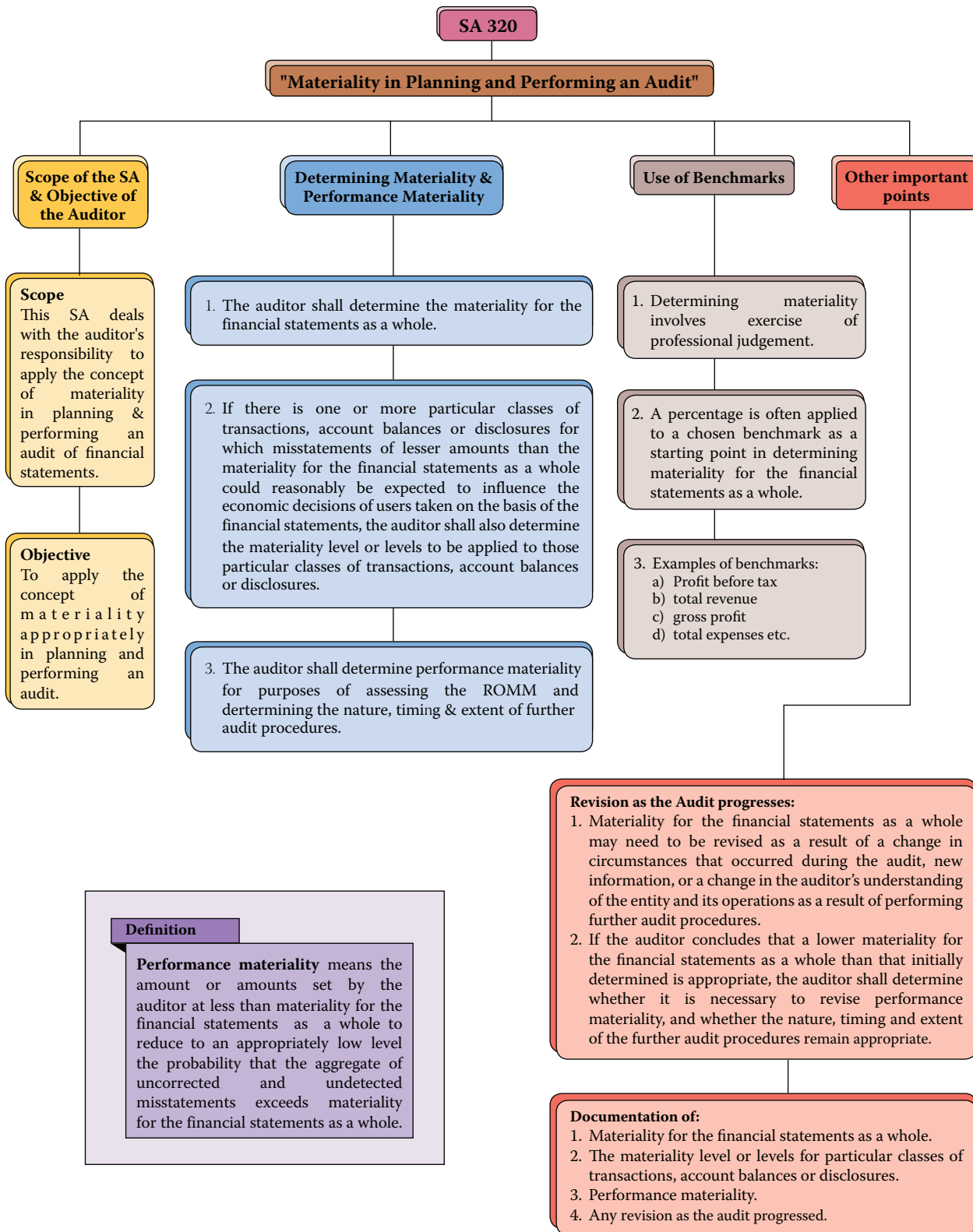




## SA 300 - 499: Risk Assessment and Response to Assessed Risks

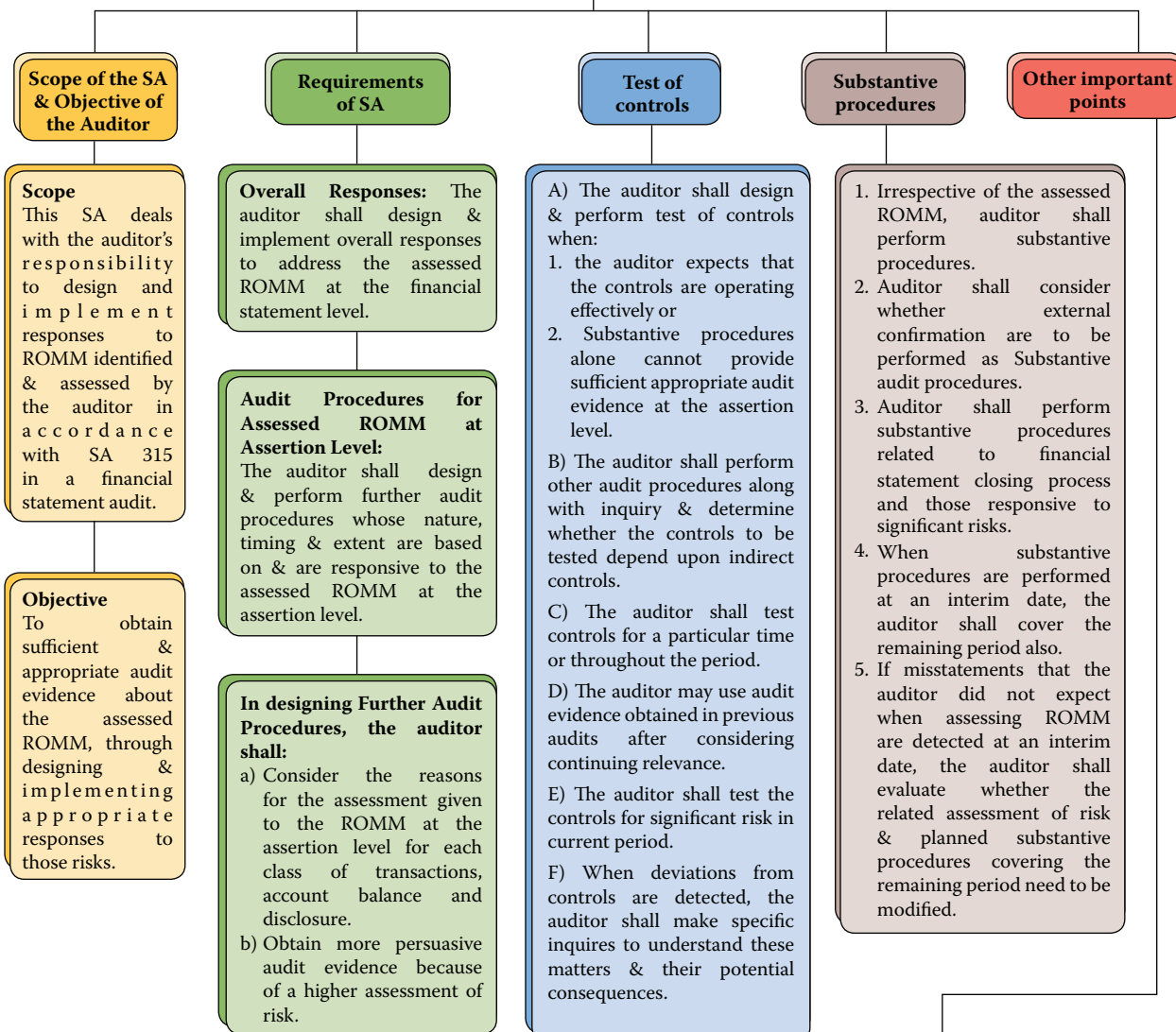






SA 330

"The Auditor's Responses to Assessed Risks"



**Scope of the SA & Objective of the Auditor**

**Scope**  
This SA deals with the auditor's responsibility to design and implement responses to ROMM identified & assessed by the auditor in accordance with SA 315 in a financial statement audit.

**Objective**  
To obtain sufficient & appropriate audit evidence about the assessed ROMM, through designing & implementing appropriate responses to those risks.

**Requirements of SA**

**Overall Responses:** The auditor shall design & implement overall responses to address the assessed ROMM at the financial statement level.

**Audit Procedures for Assessed ROMM at Assertion Level:**  
The auditor shall design & perform further audit procedures whose nature, timing & extent are based on & are responsive to the assessed ROMM at the assertion level.

**In designing Further Audit Procedures, the auditor shall:**  
a) Consider the reasons for the assessment given to the ROMM at the assertion level for each class of transactions, account balance and disclosure.  
b) Obtain more persuasive audit evidence because of a higher assessment of risk.

**Test of controls**

- A) The auditor shall design & perform test of controls when:
  1. the auditor expects that the controls are operating effectively or
  2. Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.
- B) The auditor shall perform other audit procedures along with inquiry & determine whether the controls to be tested depend upon indirect controls.
- C) The auditor shall test controls for a particular time or throughout the period.
- D) The auditor may use audit evidence obtained in previous audits after considering continuing relevance.
- E) The auditor shall test the controls for significant risk in current period.
- F) When deviations from controls are detected, the auditor shall make specific inquiries to understand these matters & their potential consequences.

**Substantive procedures**

1. Irrespective of the assessed ROMM, auditor shall perform substantive procedures.
2. Auditor shall consider whether external confirmation are to be performed as Substantive audit procedures.
3. Auditor shall perform substantive procedures related to financial statement closing process and those responsive to significant risks.
4. When substantive procedures are performed at an interim date, the auditor shall cover the remaining period also.
5. If misstatements that the auditor did not expect when assessing ROMM are detected at an interim date, the auditor shall evaluate whether the related assessment of risk & planned substantive procedures covering the remaining period need to be modified.

**Other important points**

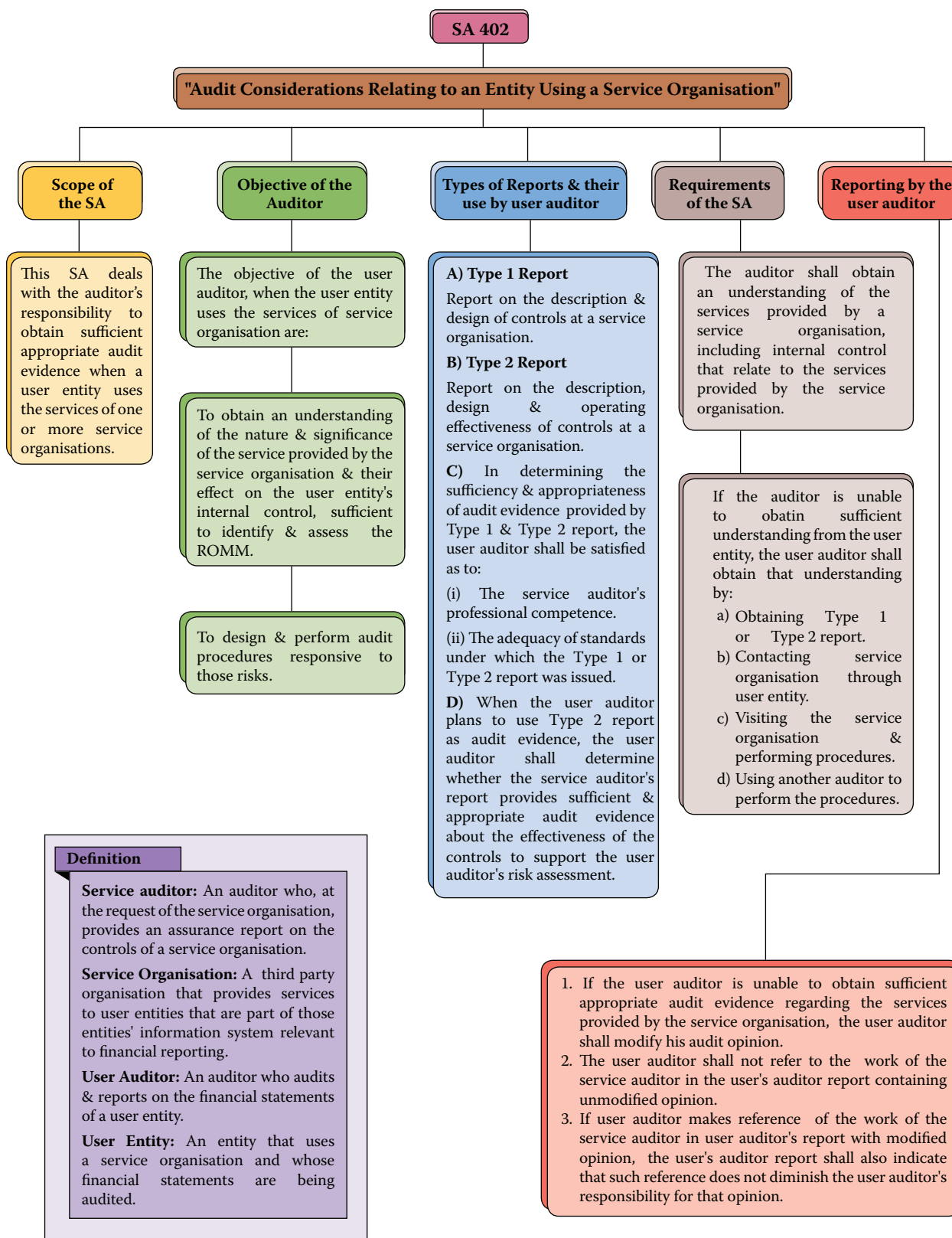
1. The auditor shall perform audit procedures to evaluate the adequacy of presentation & disclosures made in the financial statements.
2. The auditor shall evaluate the sufficiency & appropriateness of audit evidence.
3. The auditor shall document:
  - a) the overall responses and the nature, timing, extent of further audit procedures performed.
  - b) the linkage of those procedures with assessed risks at the assertion level.
  - c) the results of audit procedures.

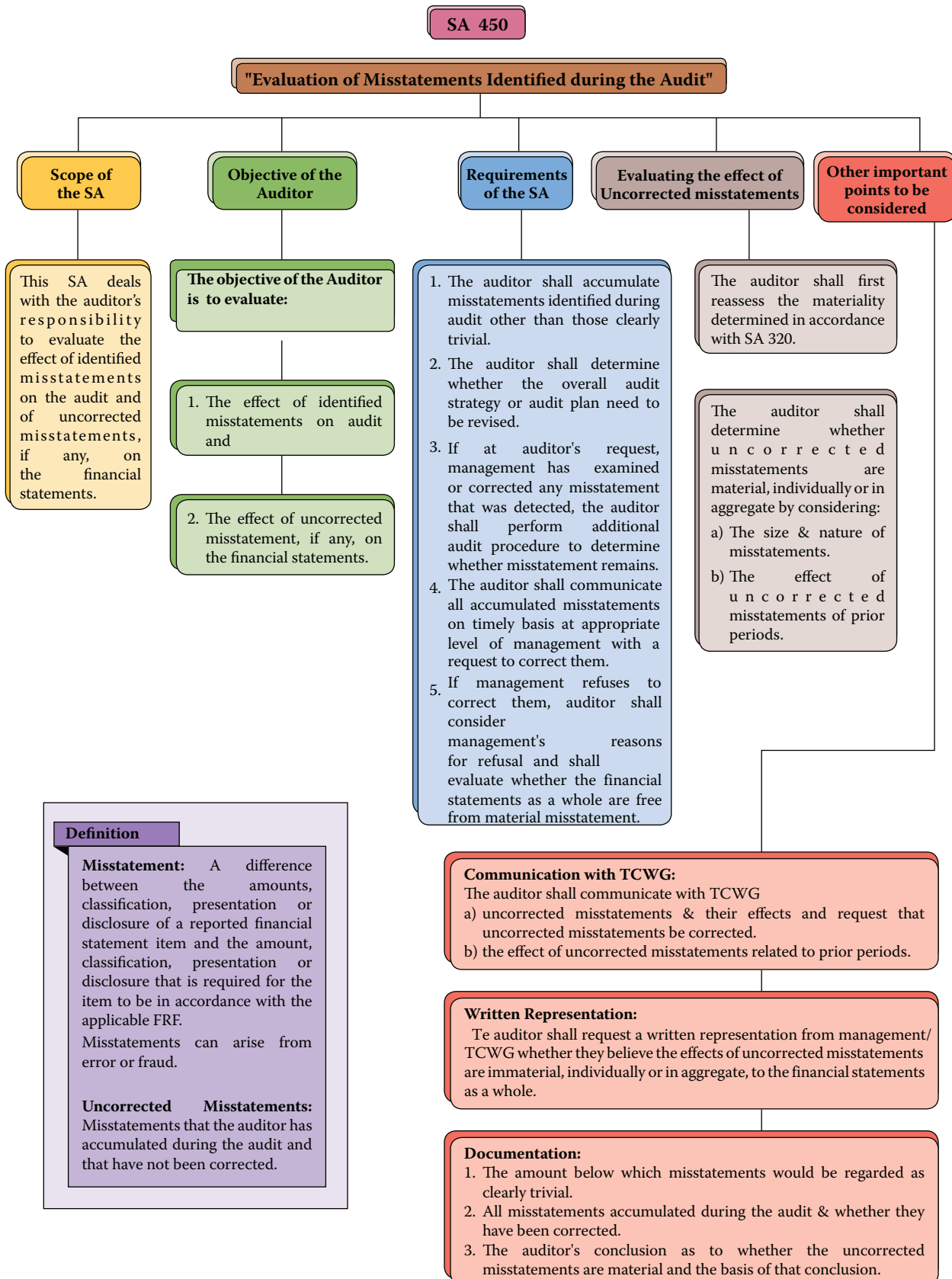
**Definition**

**Substantive Procedure:**  
An audit procedure designed to detect material misstatements at the assertion level. It comprises of:  
1. Test of details (of classes of transactions, account balances, & disclosures), &  
2. Substantive analytical procedures.

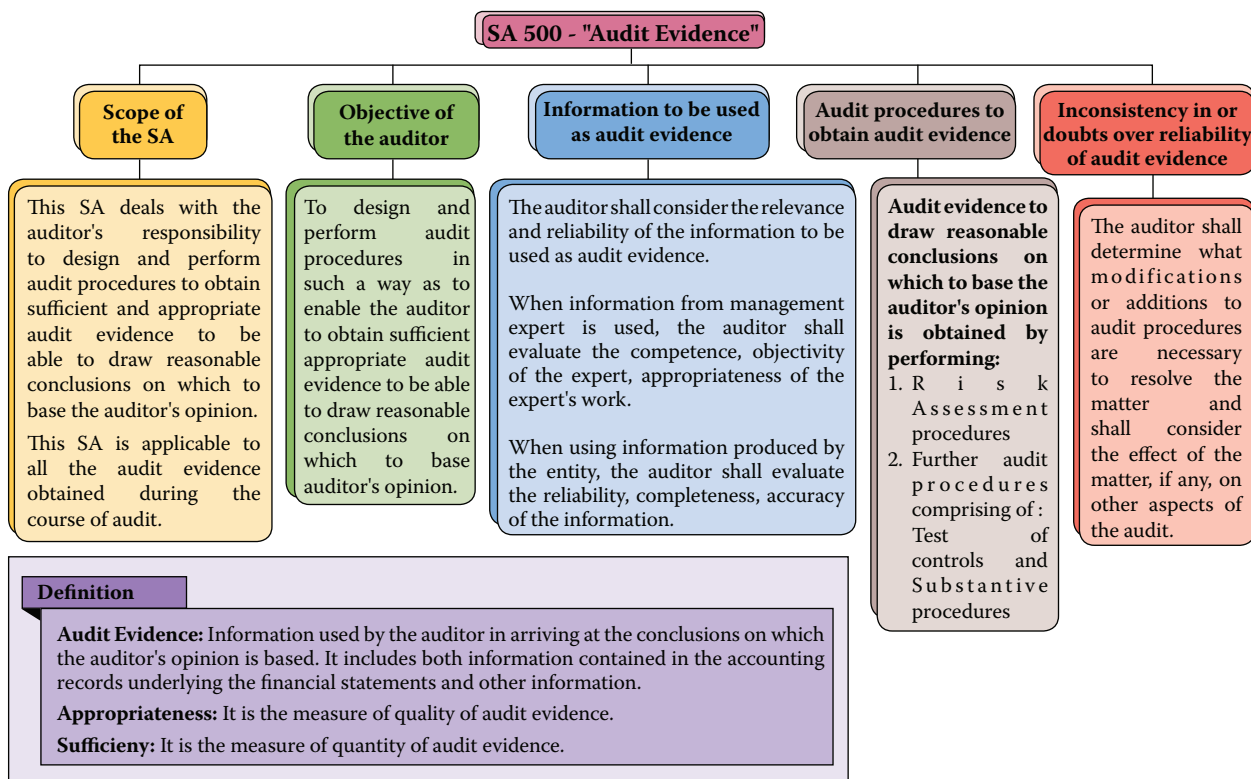
**Test of Controls:**  
An audit procedure designed to evaluate operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.



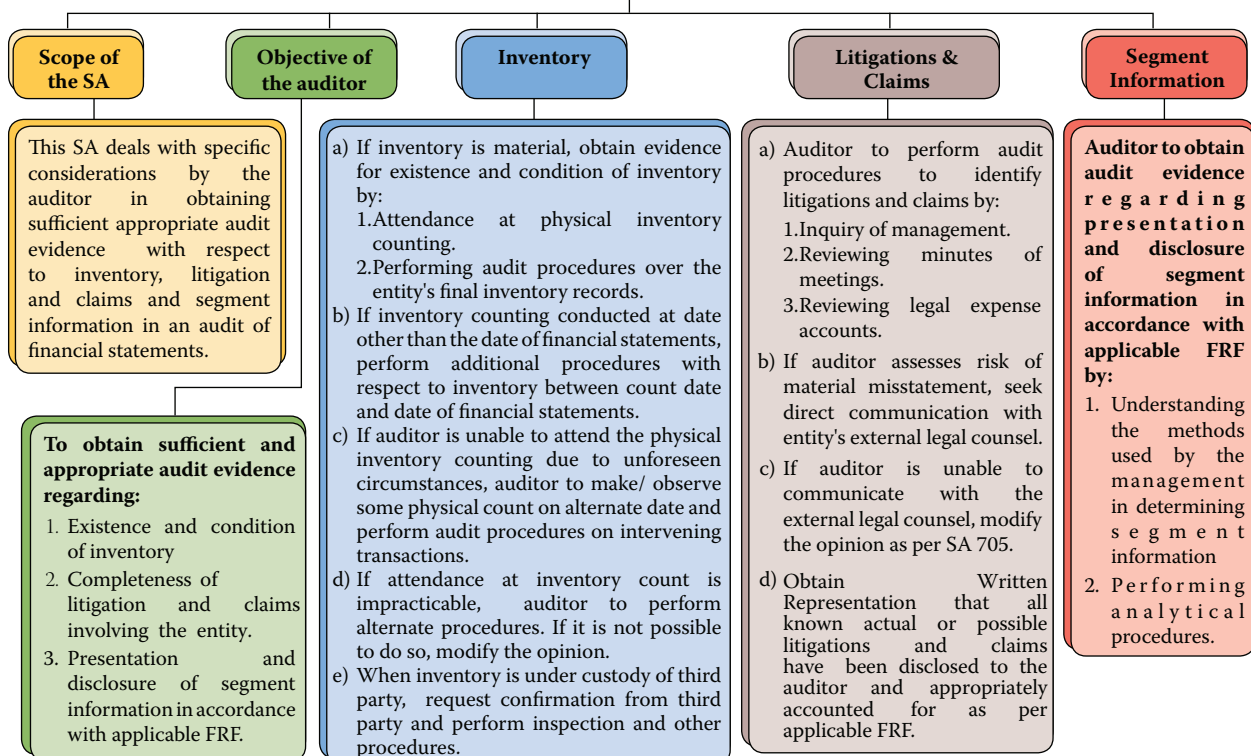


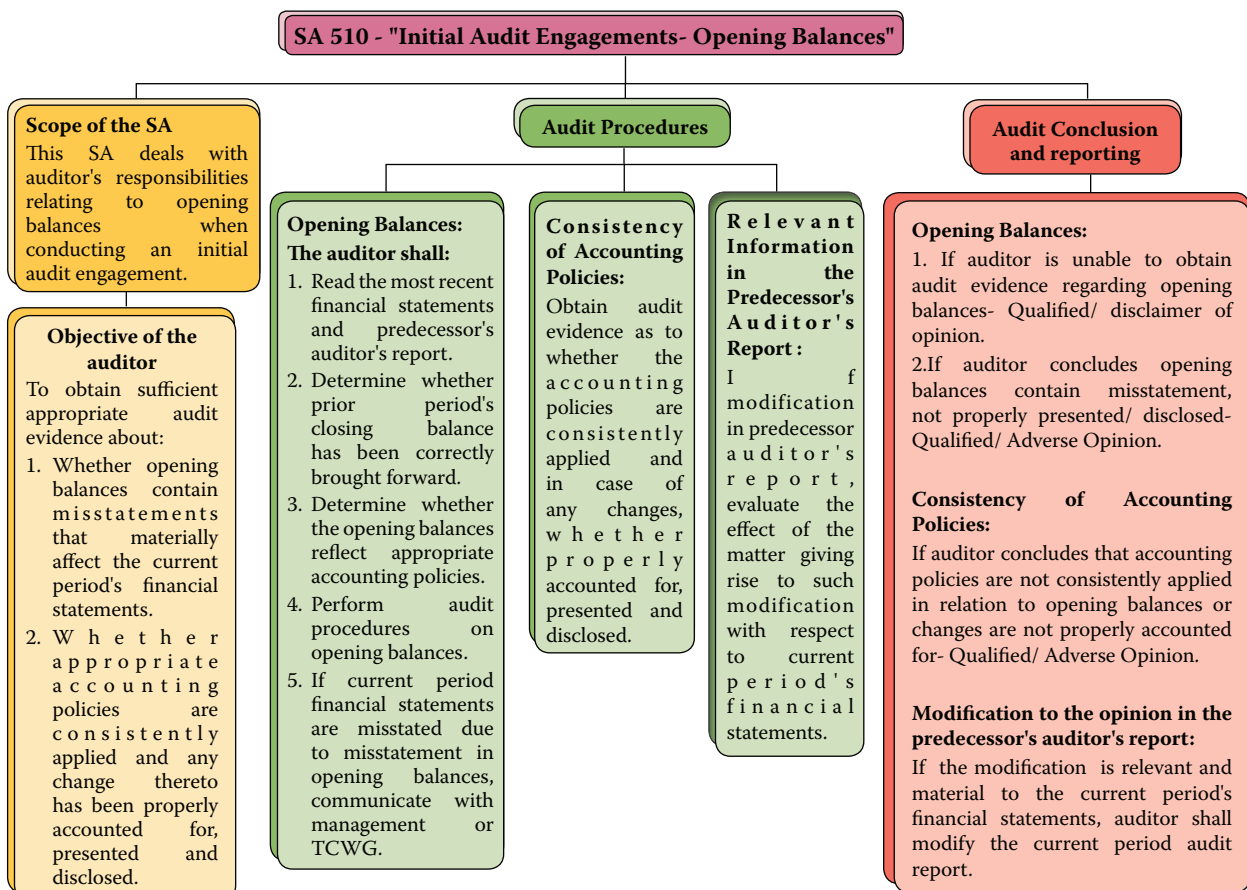
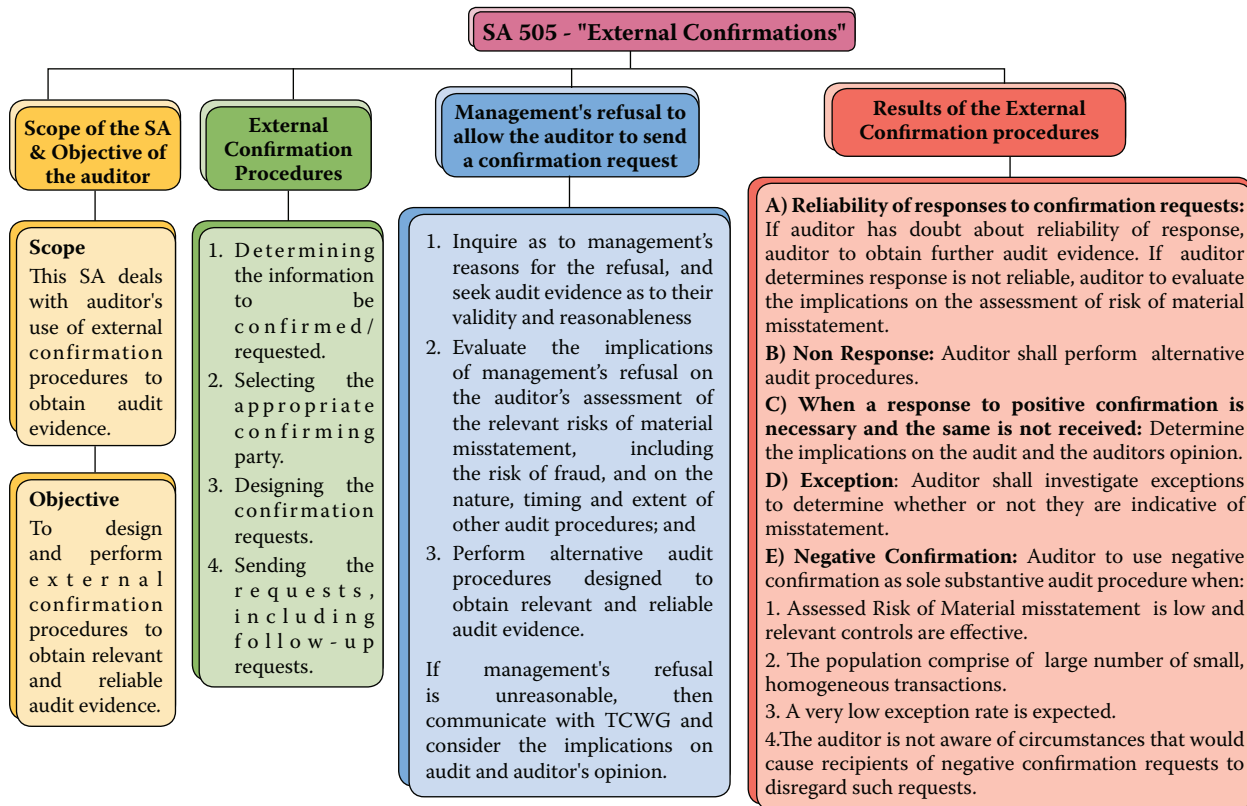


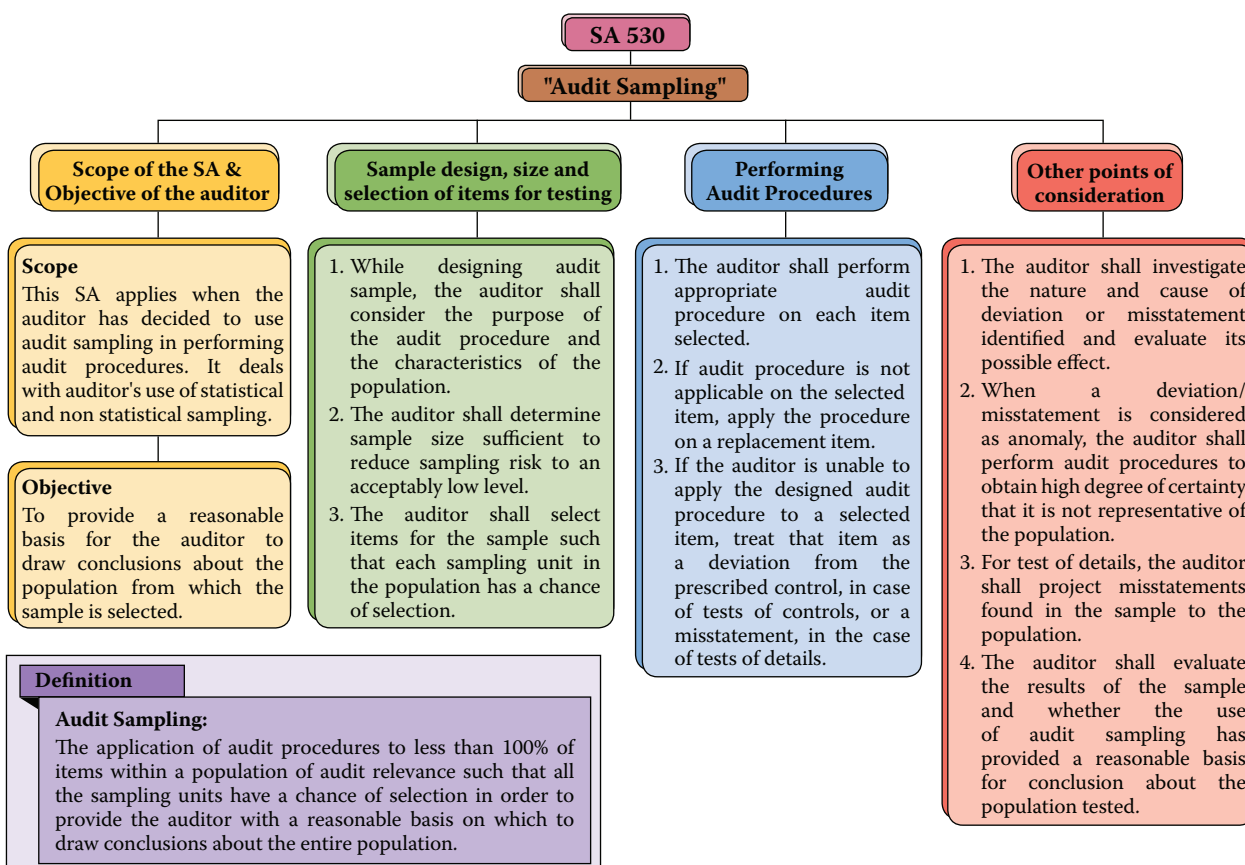
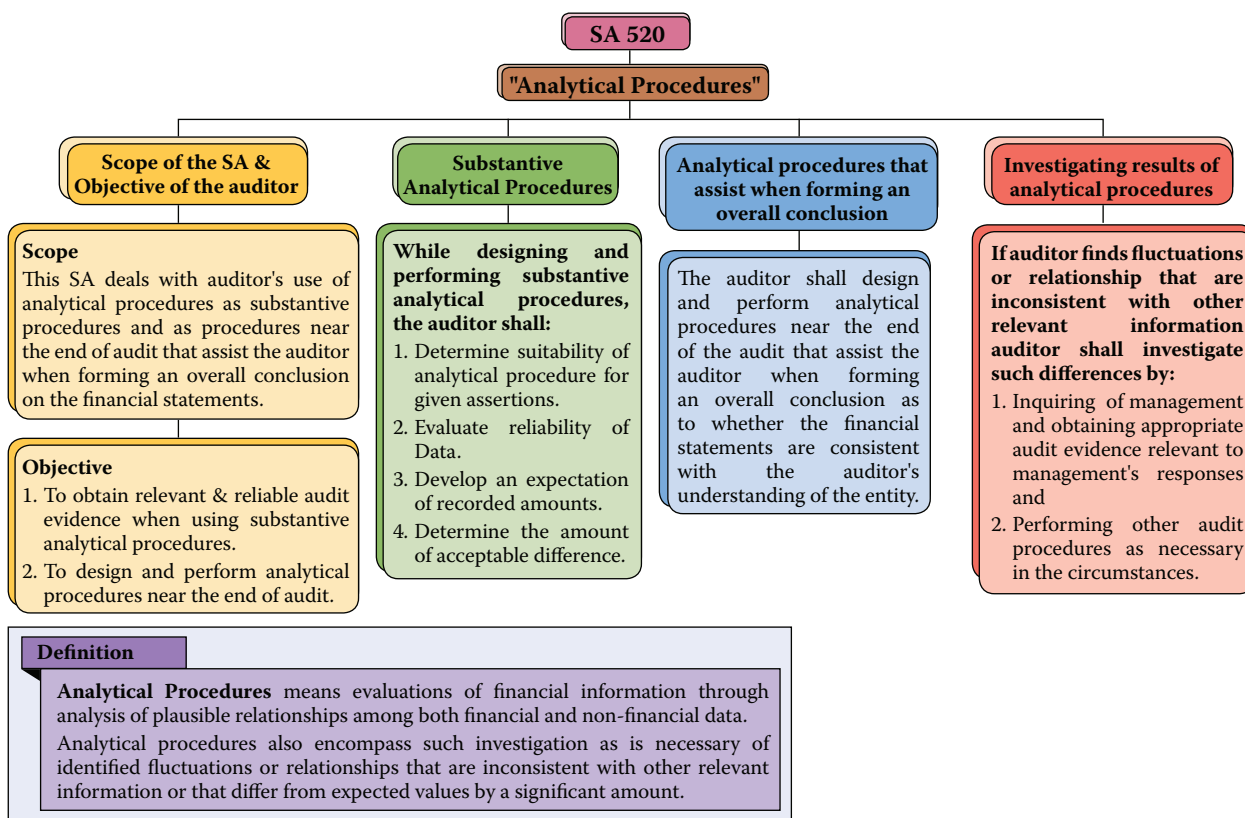
**SA 500 - 599: Audit Evidence**

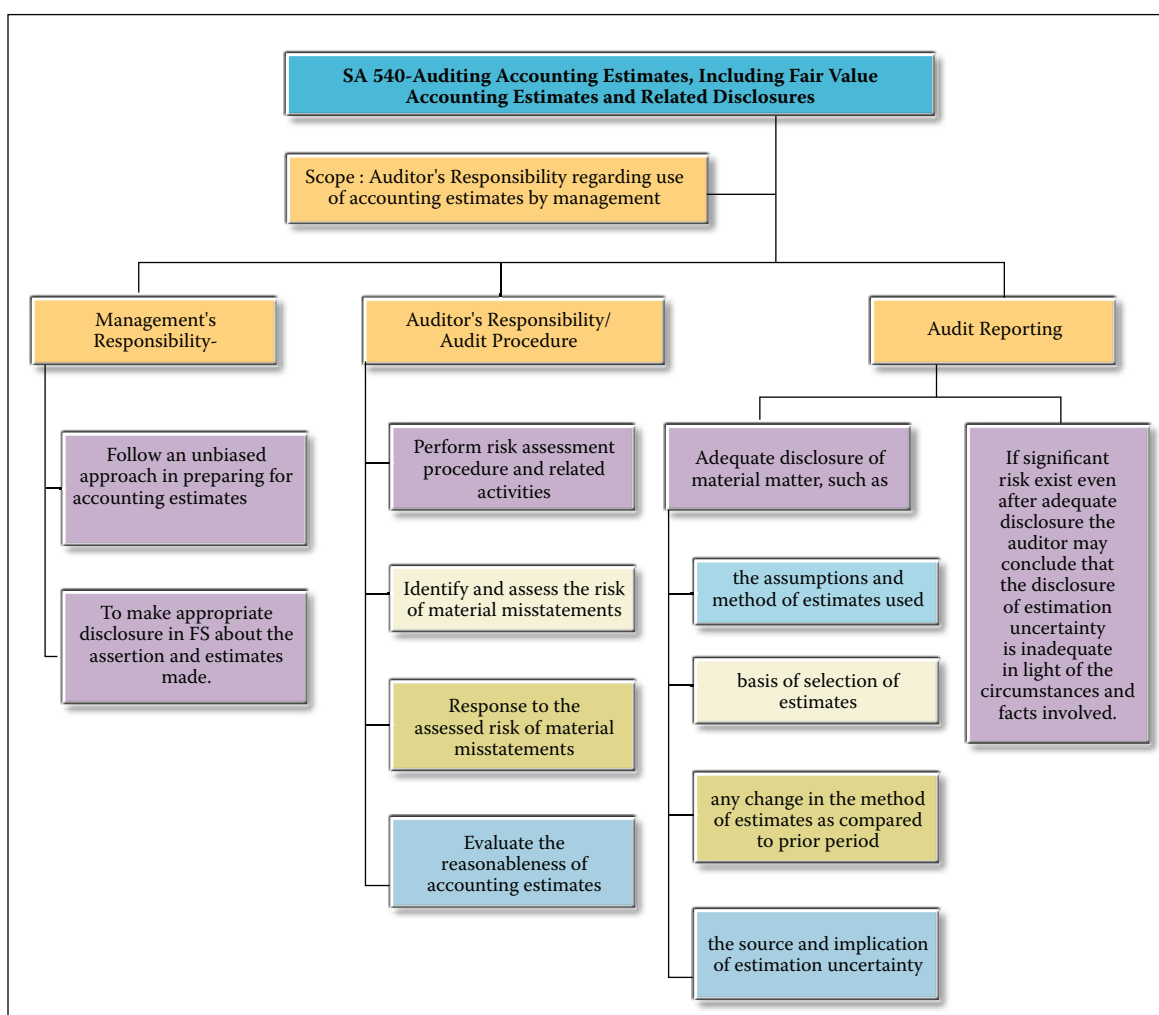


**SA 501 - "Audit Evidence- Specific Considerations for Selected Items"**







**Important Definitions:**

**Accounting estimate** – An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation. Where this SA addresses only accounting estimates involving measurement at fair value, the term “fair value accounting estimates” is used.

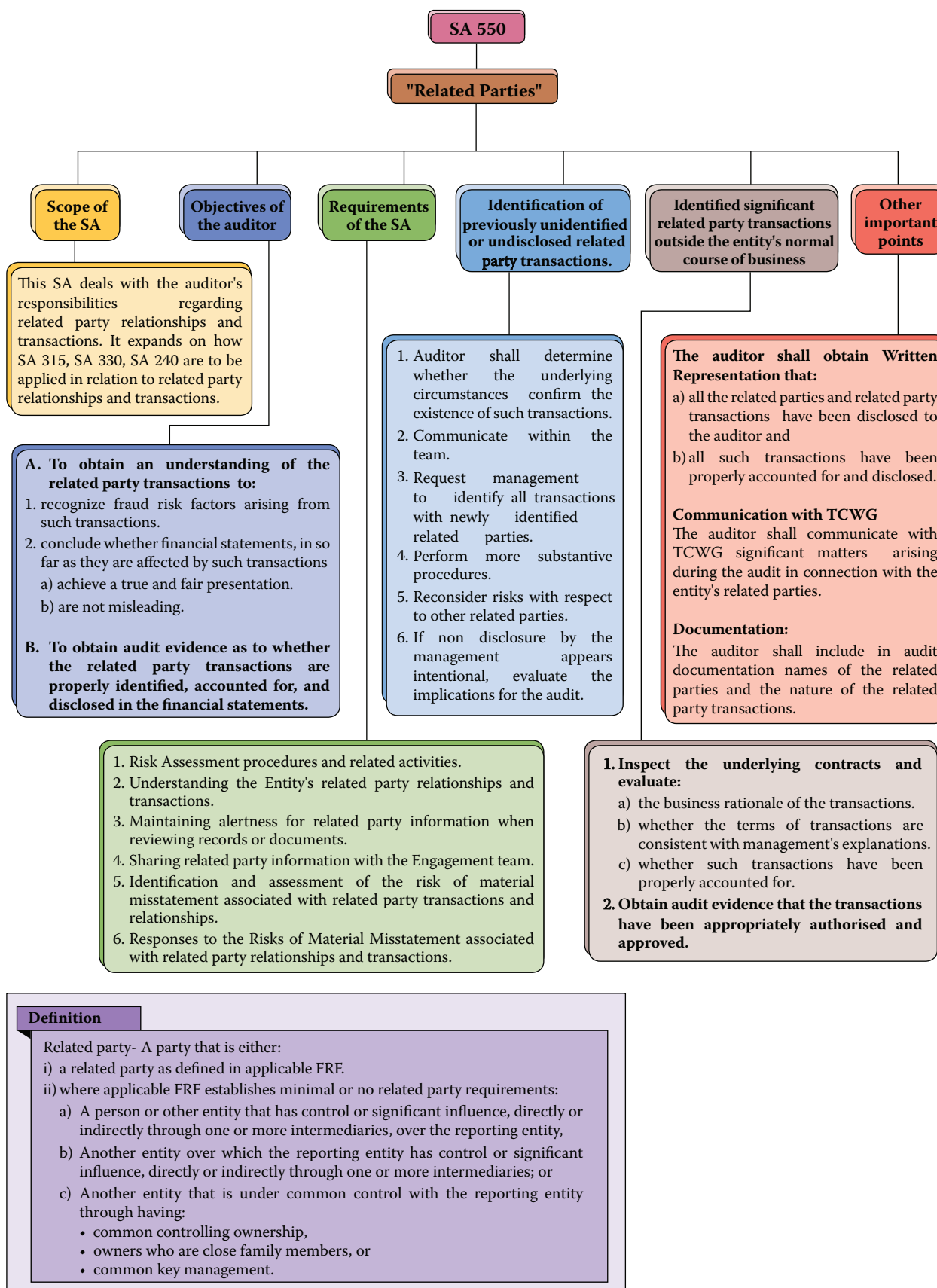
**Auditor's point estimate or auditor's range** – The amount, or range of amounts, respectively, derived from audit evidence for use in evaluating management's point estimate

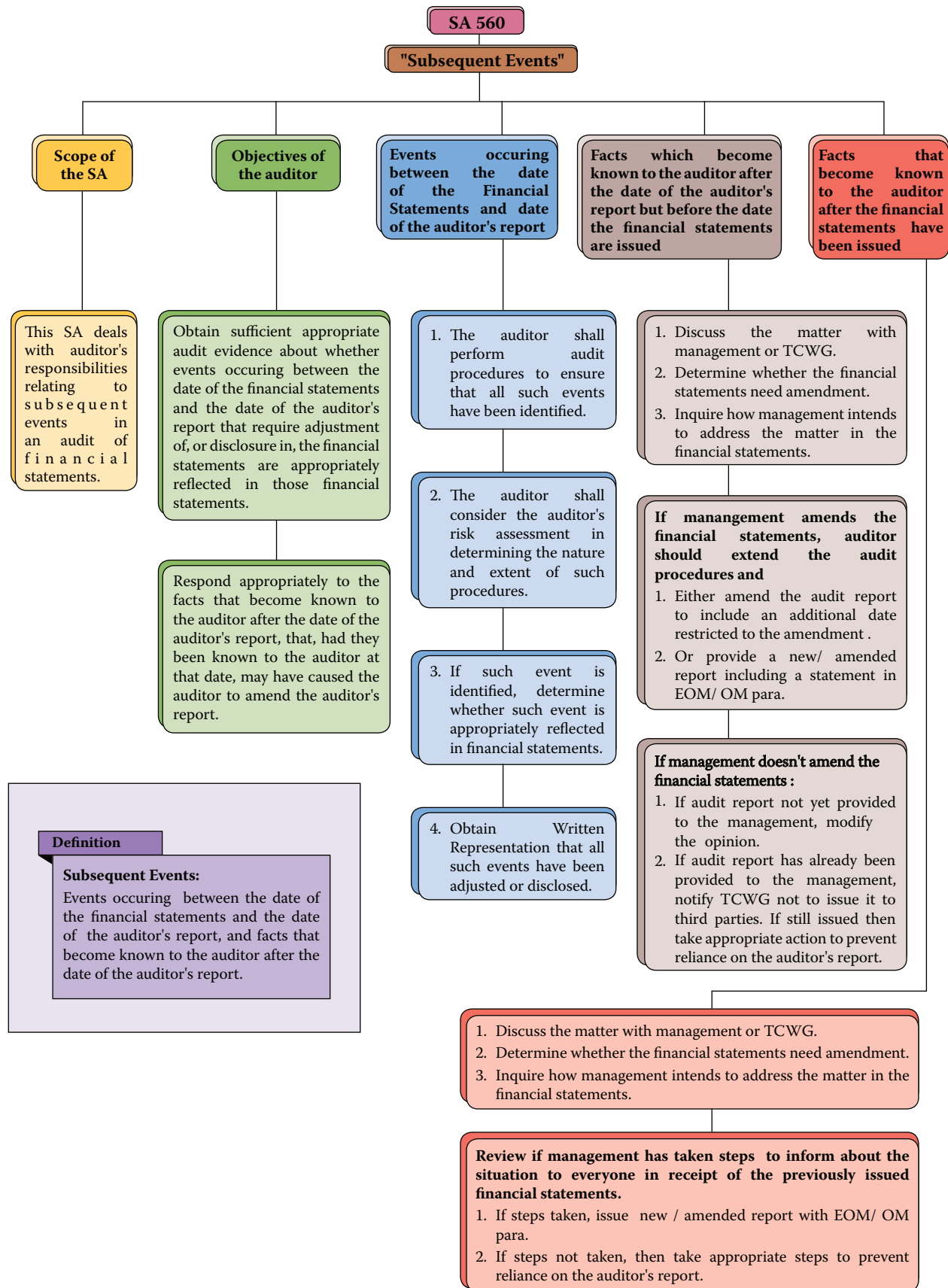
**Management bias** – A lack of neutrality by management in the preparation and presentation of information.

**Management's point estimate** – The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate.

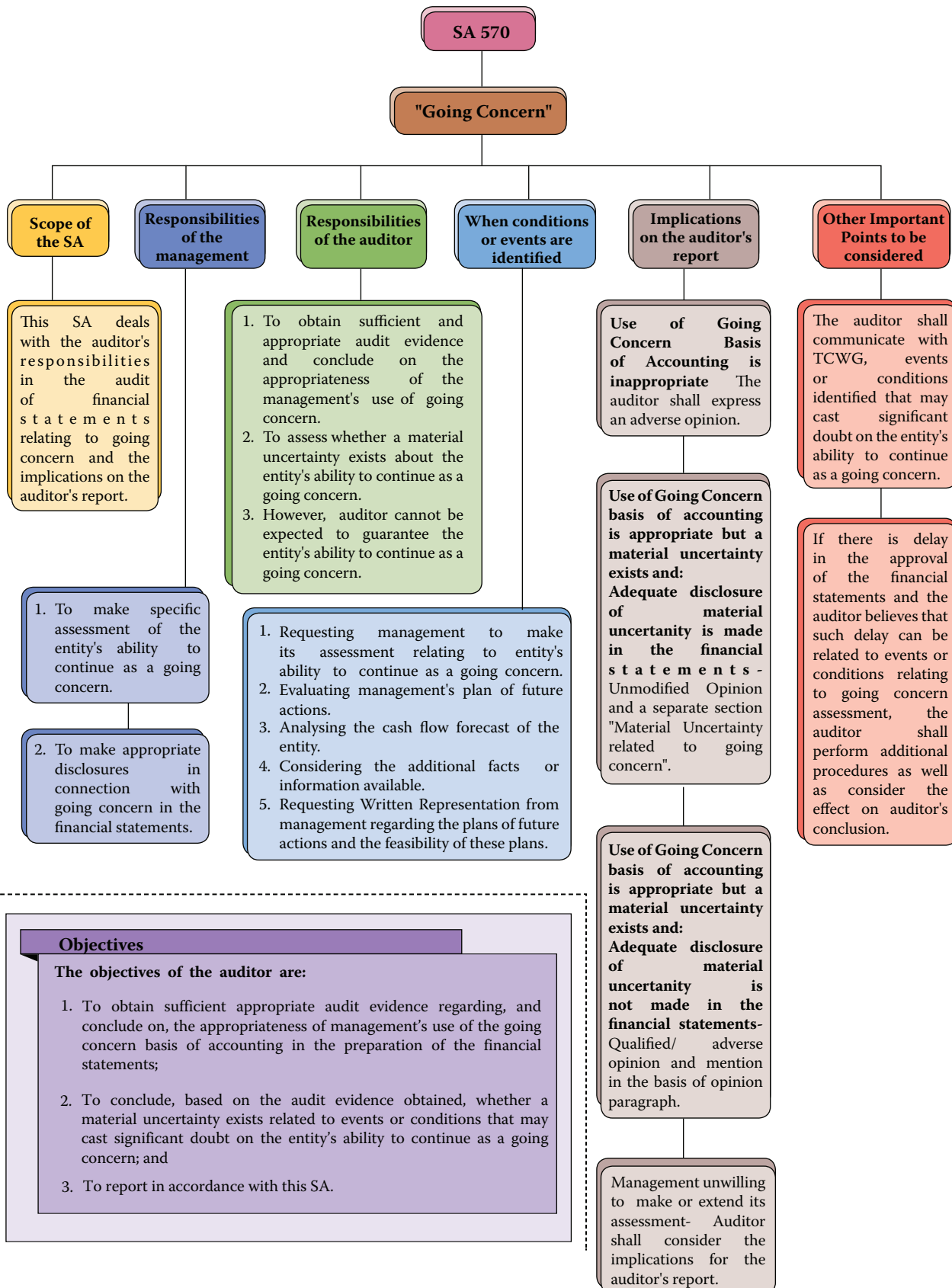
**Estimation uncertainty** – The susceptibility of an accounting estimate and related disclosures to an inherent lack of precision in its measurement.

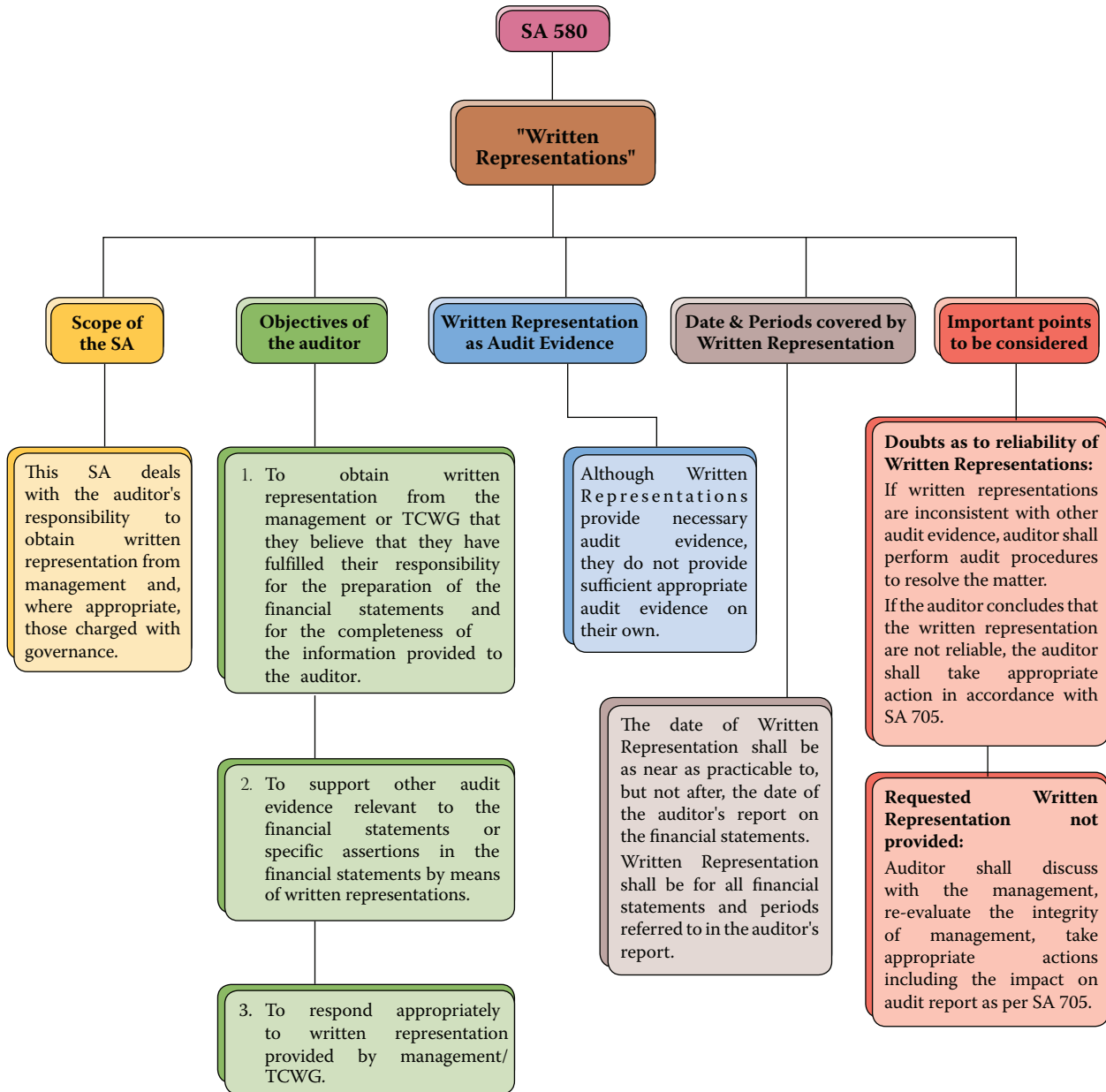
**Outcome of an accounting estimate** – The actual monetary amount which results from the resolution of the underlying transaction(s), event(s) or condition(s) addressed by the accounting estimate.









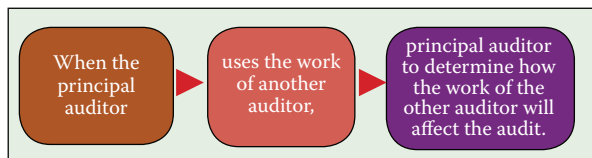
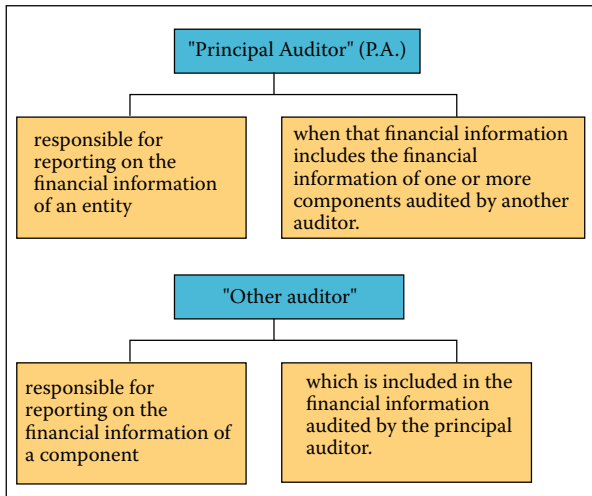


**Definition**

**Written Representation:**  
A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Do not include financial statements, the assertions therein, or supporting books or records.

SA 600 - 699: Using Work of Others

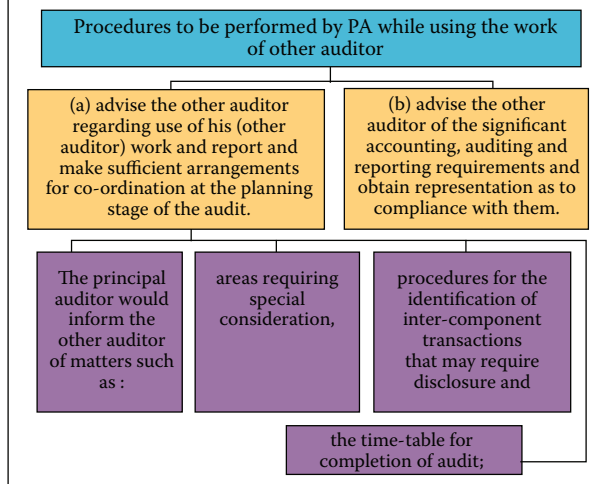
SA 600 - USING THE WORK OF ANOTHER AUDITOR



I. Consideration by an auditor before acceptance as Principal Auditor:

- (a) the materiality of the portion of the financial information
- (b) degree of knowledge regarding the business of the components;
- (c) the risk of material misstatements in the financial information of the components audited by the other auditor; and
- (d) the performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit.

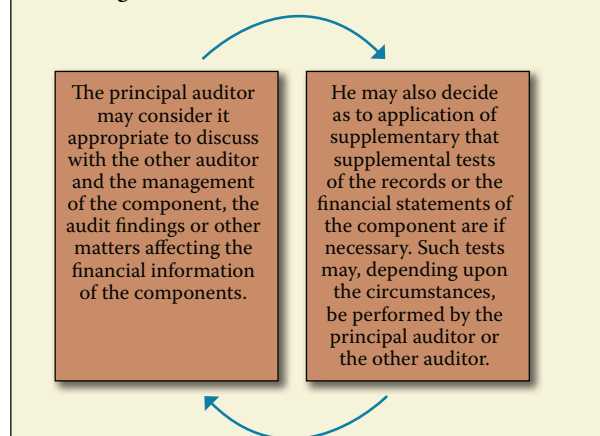
II. Procedures to be followed by P.A.



Principal auditor to review – written summary of other auditor's procedures

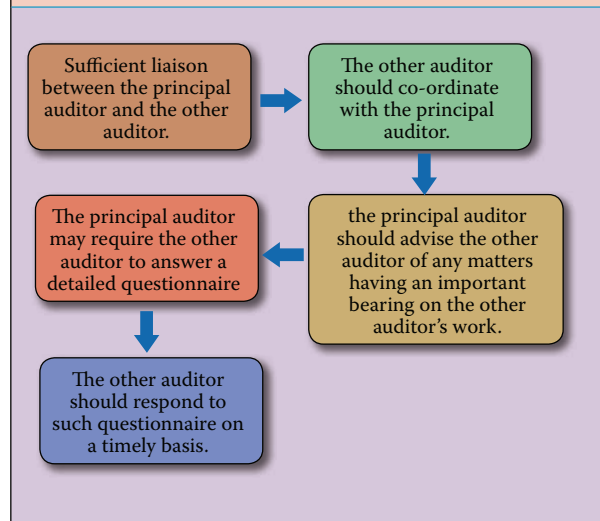
The principal auditor may also wish to visit the other auditor.	Nature, timing and extent of procedures depend on circumstances of engagement & Materiality aspect	Nature, timing and extent of procedures depend on principal auditor's knowledge of the professional competence of the other auditor.	This knowledge may have been enhanced from the review of the previous audit work of the other auditor.
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The principal auditor should consider the significant findings of the other auditor.



Where the other auditor's report is other than unmodified, the principal auditor should also document how he has dealt with the qualifications or adverse remarks contained in the other auditor's report in framing his own report.

III. Co-ordination Between Auditors



**IV Reporting Considerations****1. Principal auditor to express a qualified opinion or disclaimer of opinion in case of a limitation on the scope of audit.**

When the principal auditor concludes, based on his procedures, that the work of the other auditor cannot be used and the principal auditor has not been able to perform sufficient additional procedures regarding the financial information of the component audited by the other auditor, the principal auditor should express a qualified opinion or disclaimer of opinion because there is a limitation on the scope of audit.

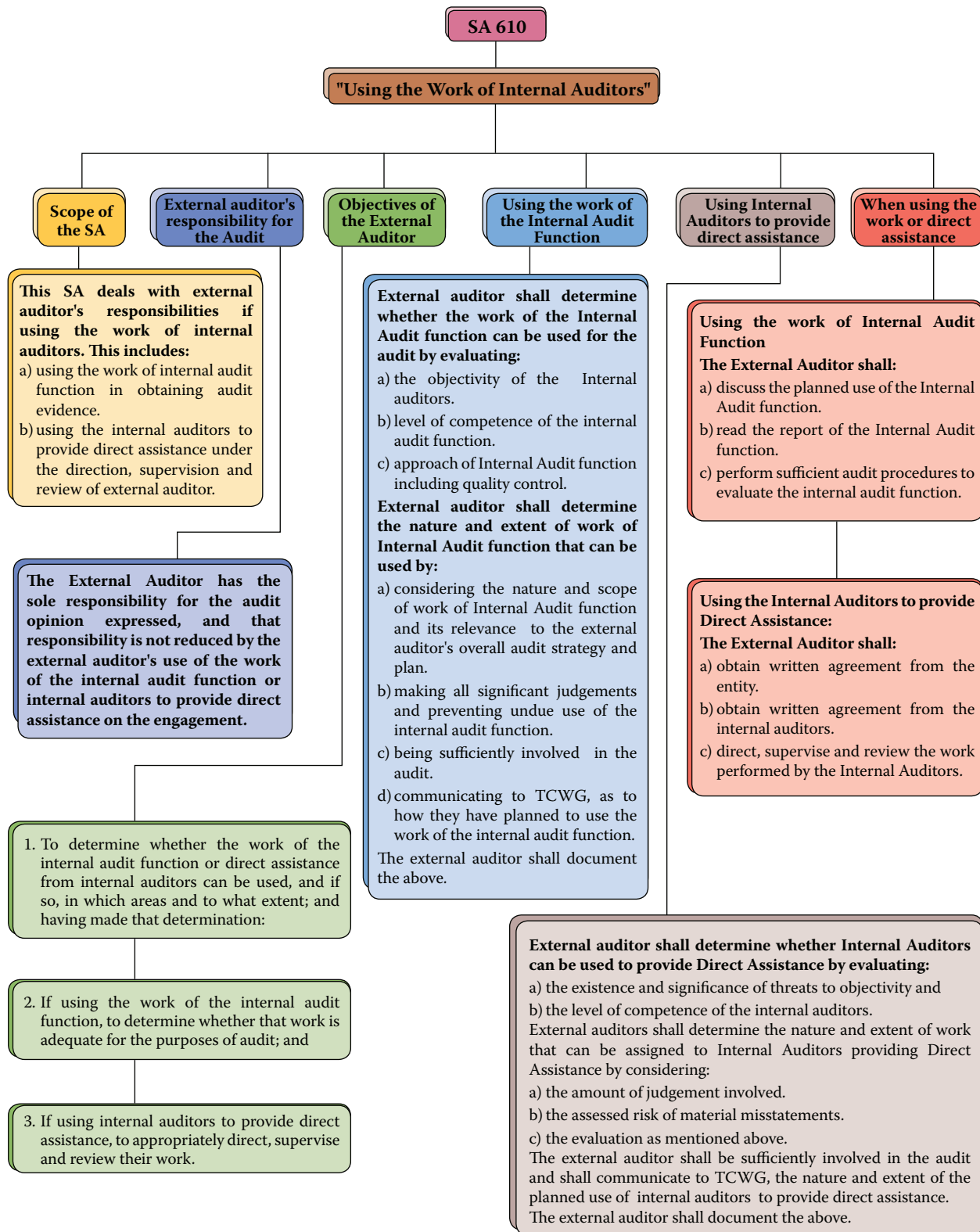
**2. If the other auditor issues a Modified Report**

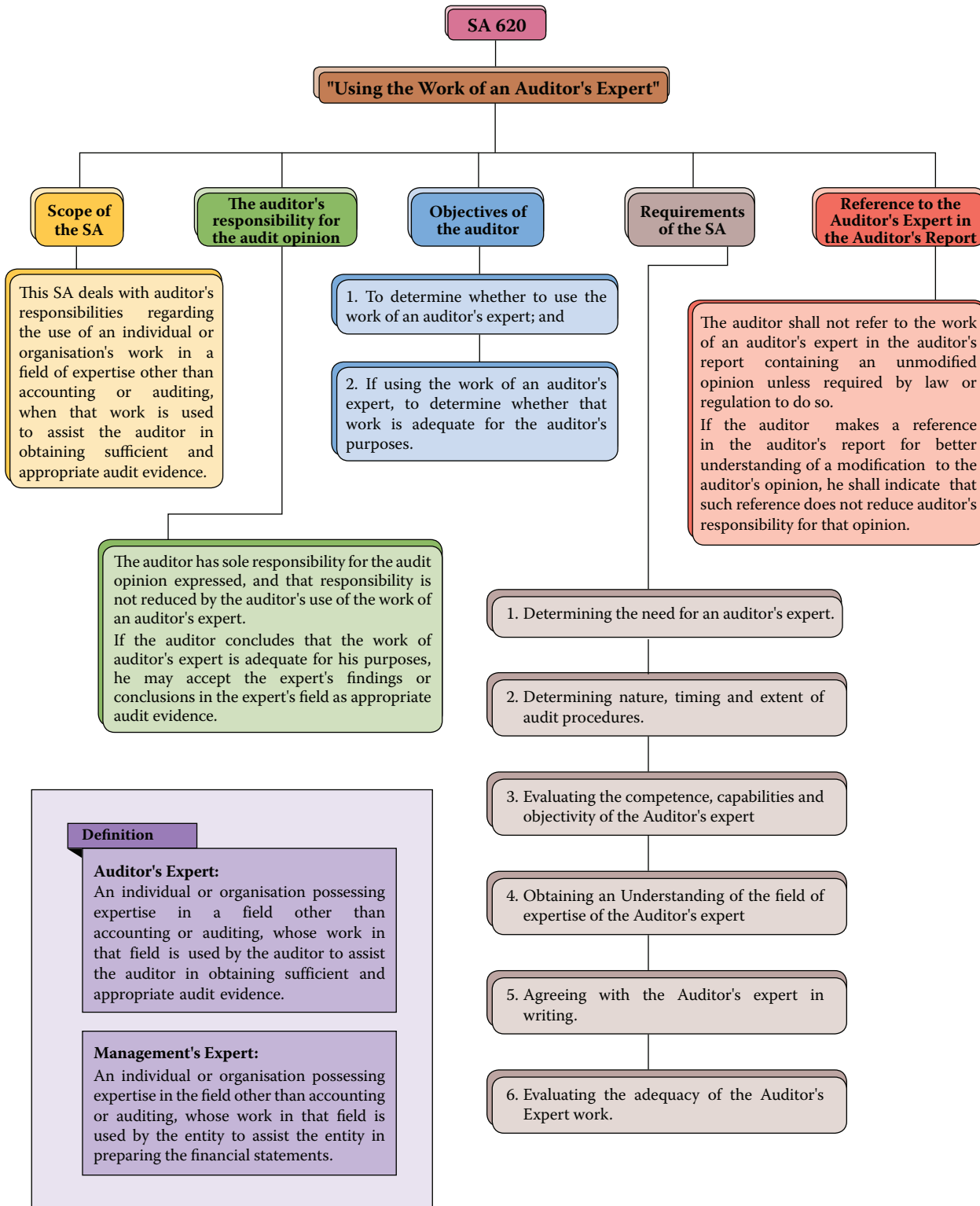
In all circumstances, if the other auditor issues, or intends to issue, a modified auditor's report, the principal auditor should consider whether the subject of the modification is of such nature and significance, in relation to the financial information of the entity on which the principal auditor is reporting that it requires a modification of the principal auditor's report.

**V. Division of Responsibility**

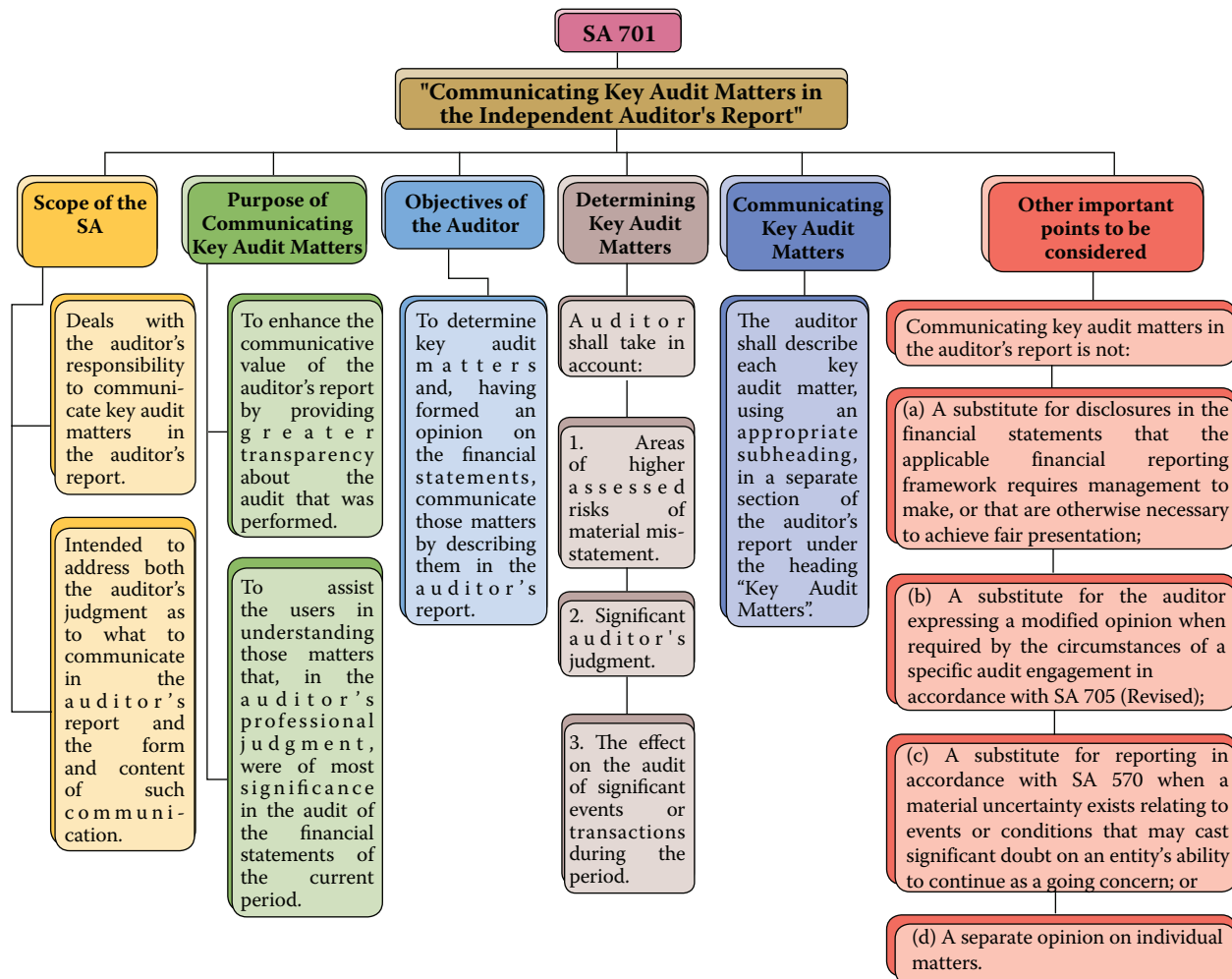
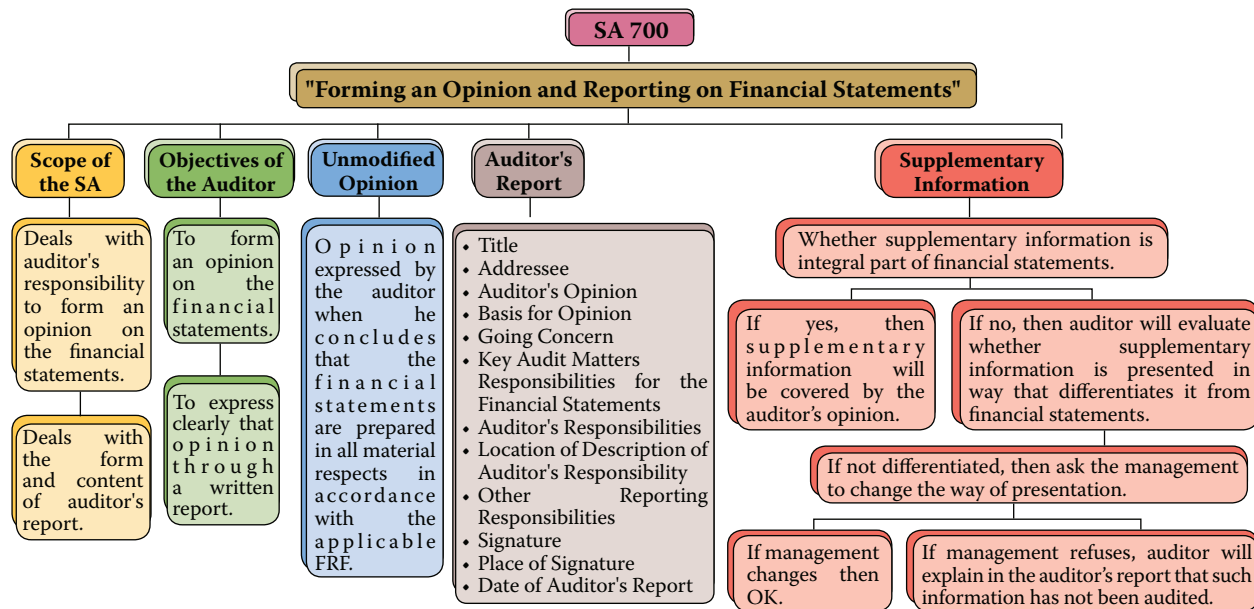
When the principal auditor has to base his opinion on the financial information of the entity as a whole relying upon the statements and reports of the other auditors, his report should state clearly the division of responsibility for the financial information of the entity by indicating the extent to which the financial information of components audited by the other auditors have been included in the financial information of the entity, e.g., the number of divisions/branches/subsidiaries or other components audited by other auditors. However, if the Principal Auditor notices any material discrepancies the same has to be brought to the knowledge of other Auditor. This should be incorporated in the Audit Report.

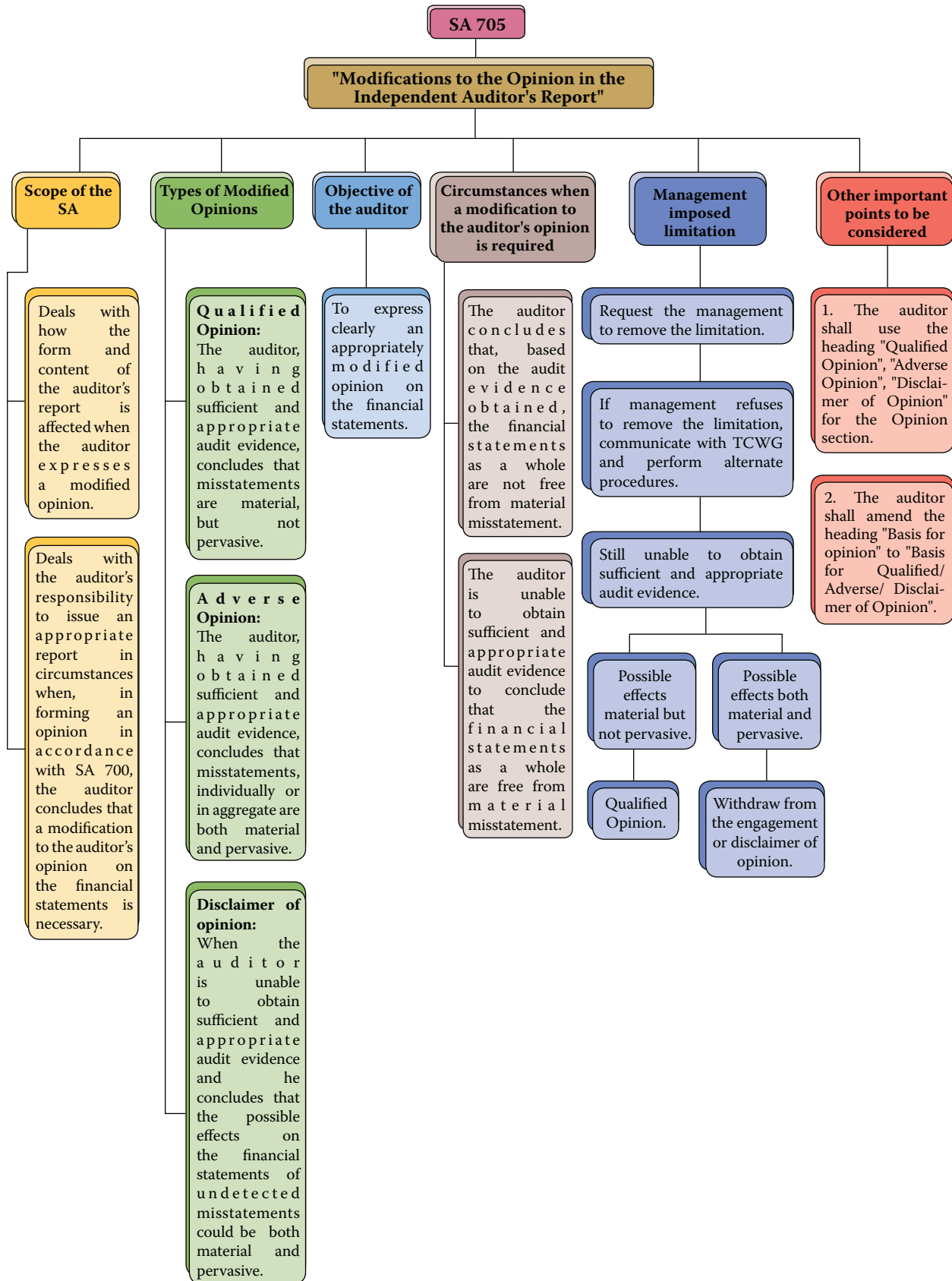




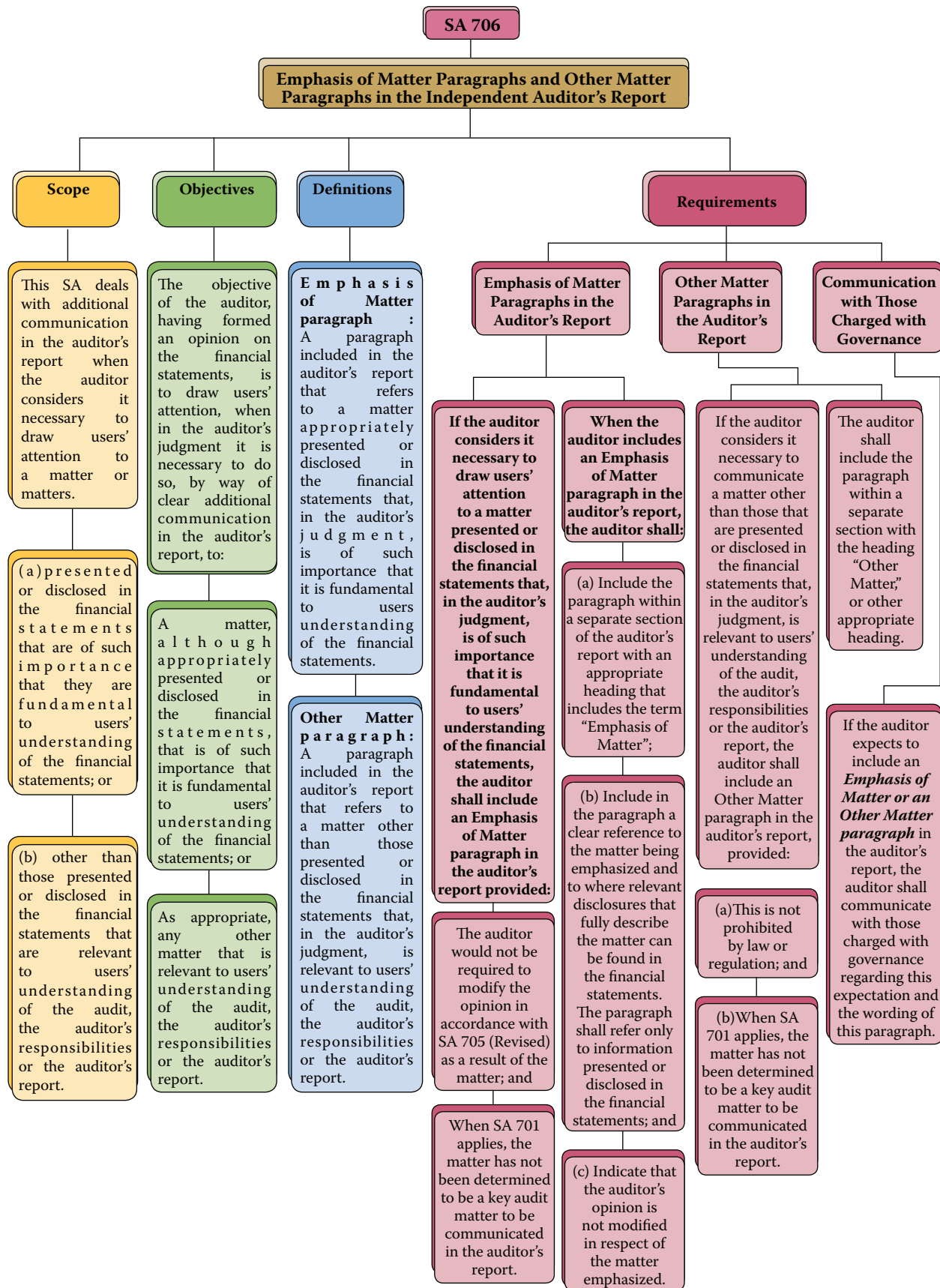


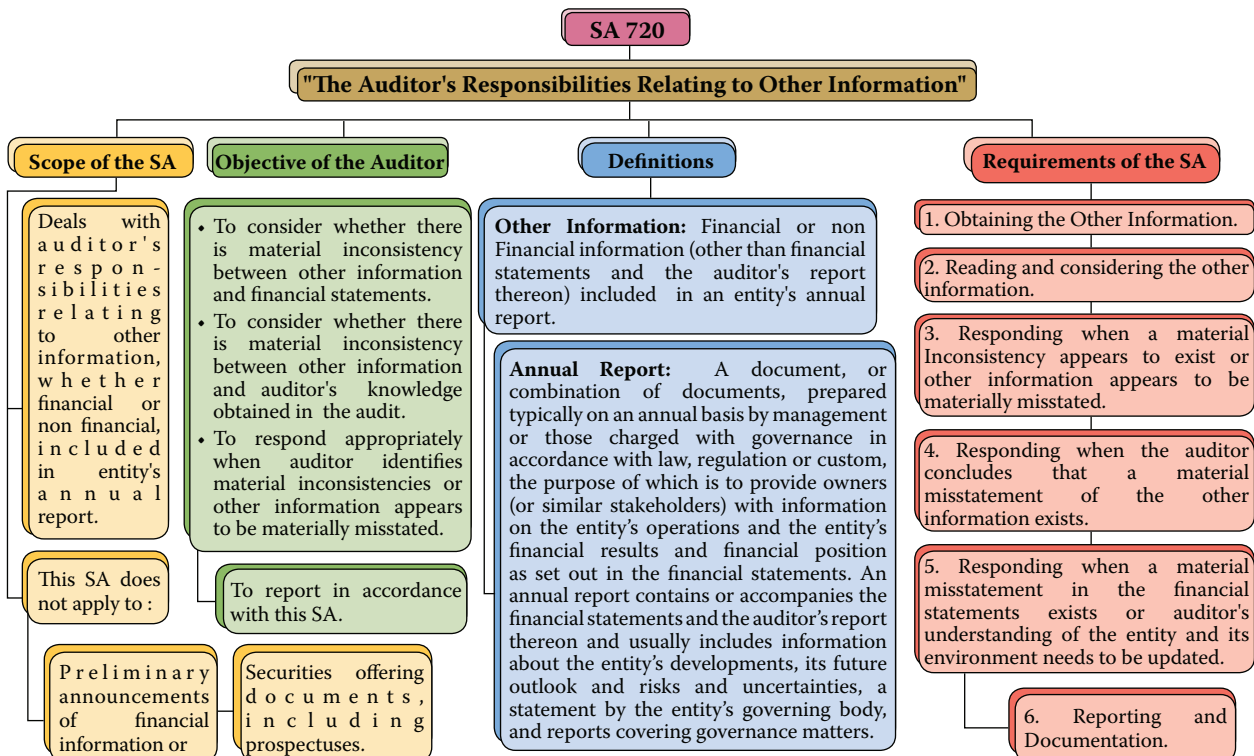
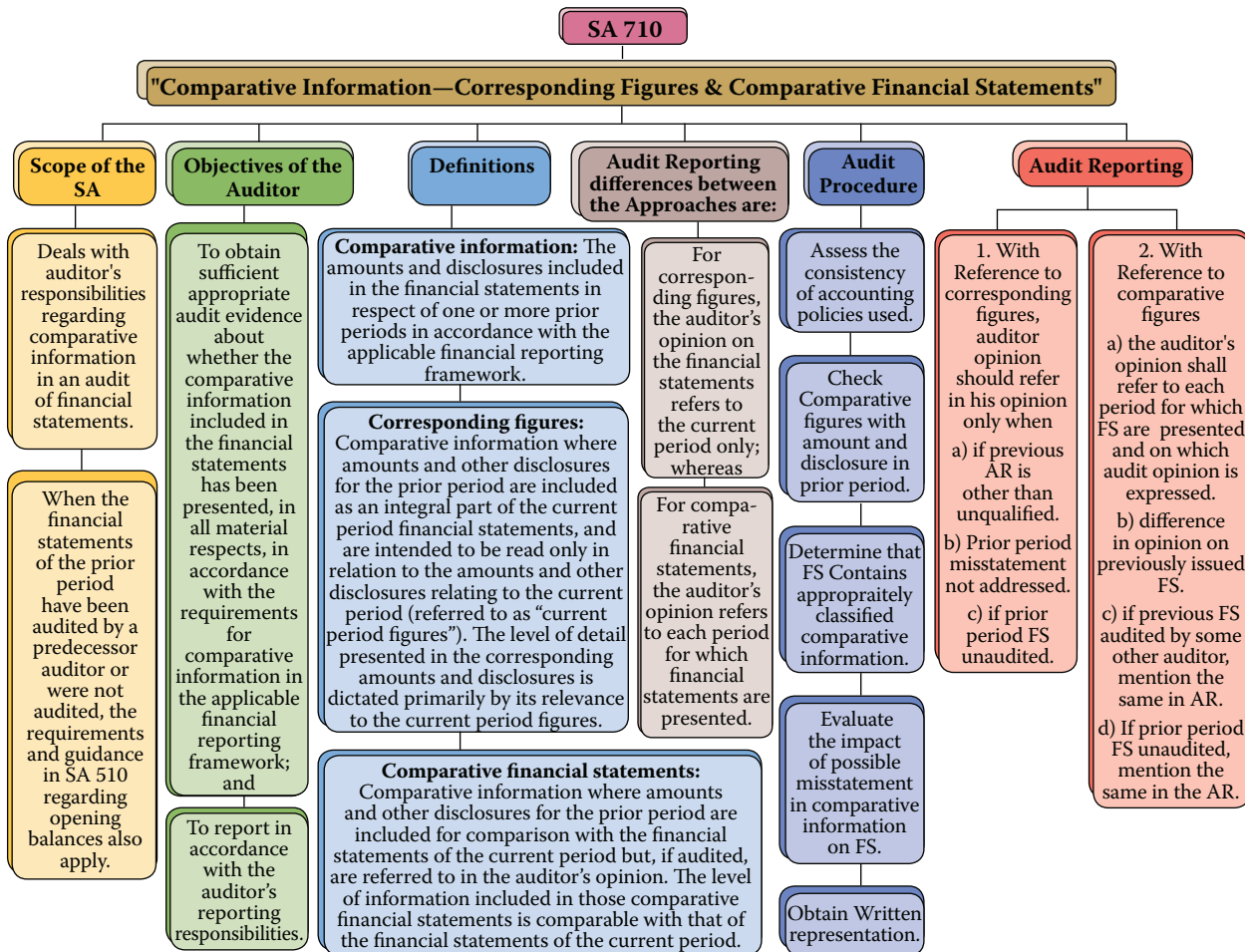
SA 700 - 799 Audit Conclusions and Reporting

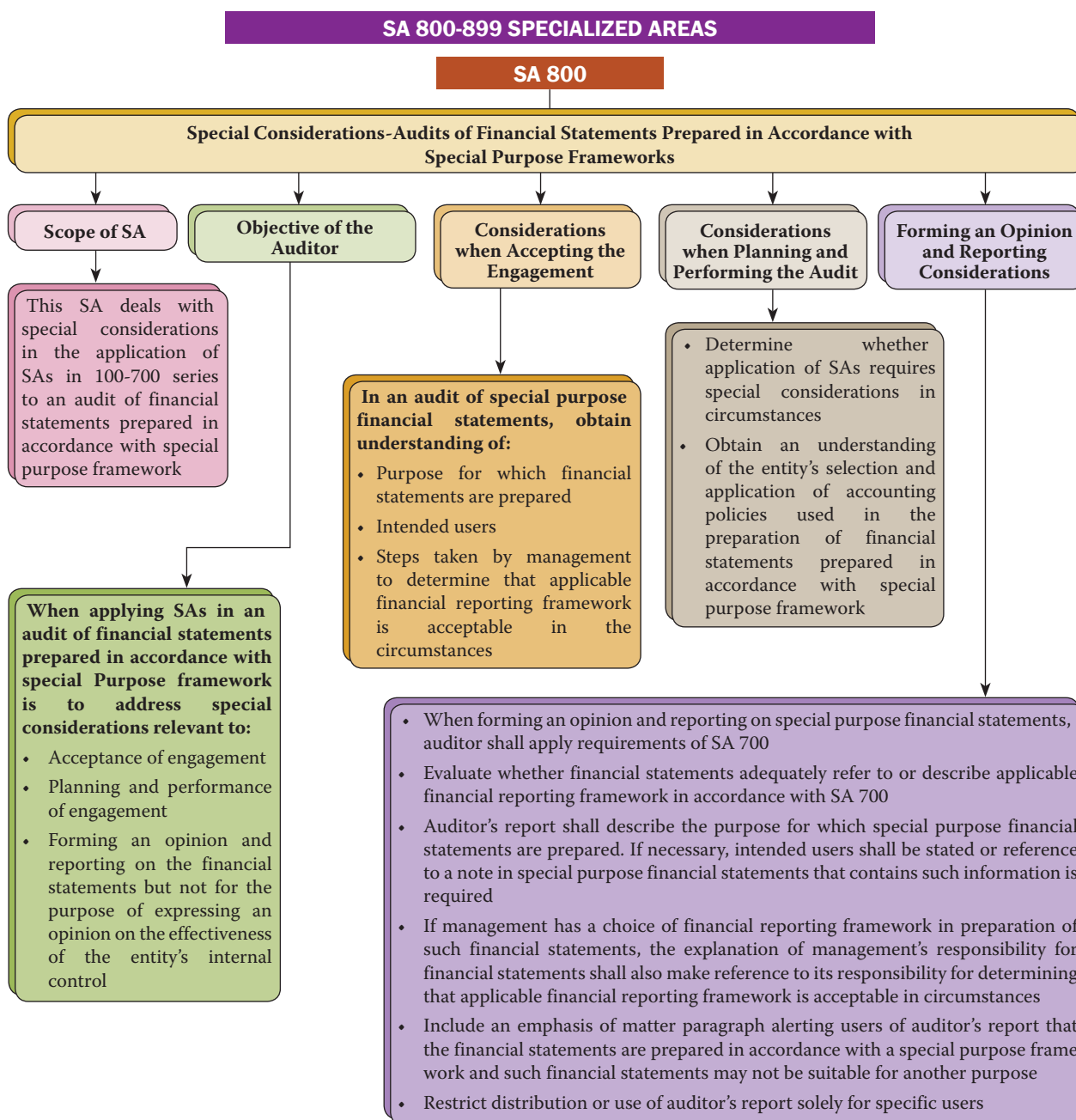






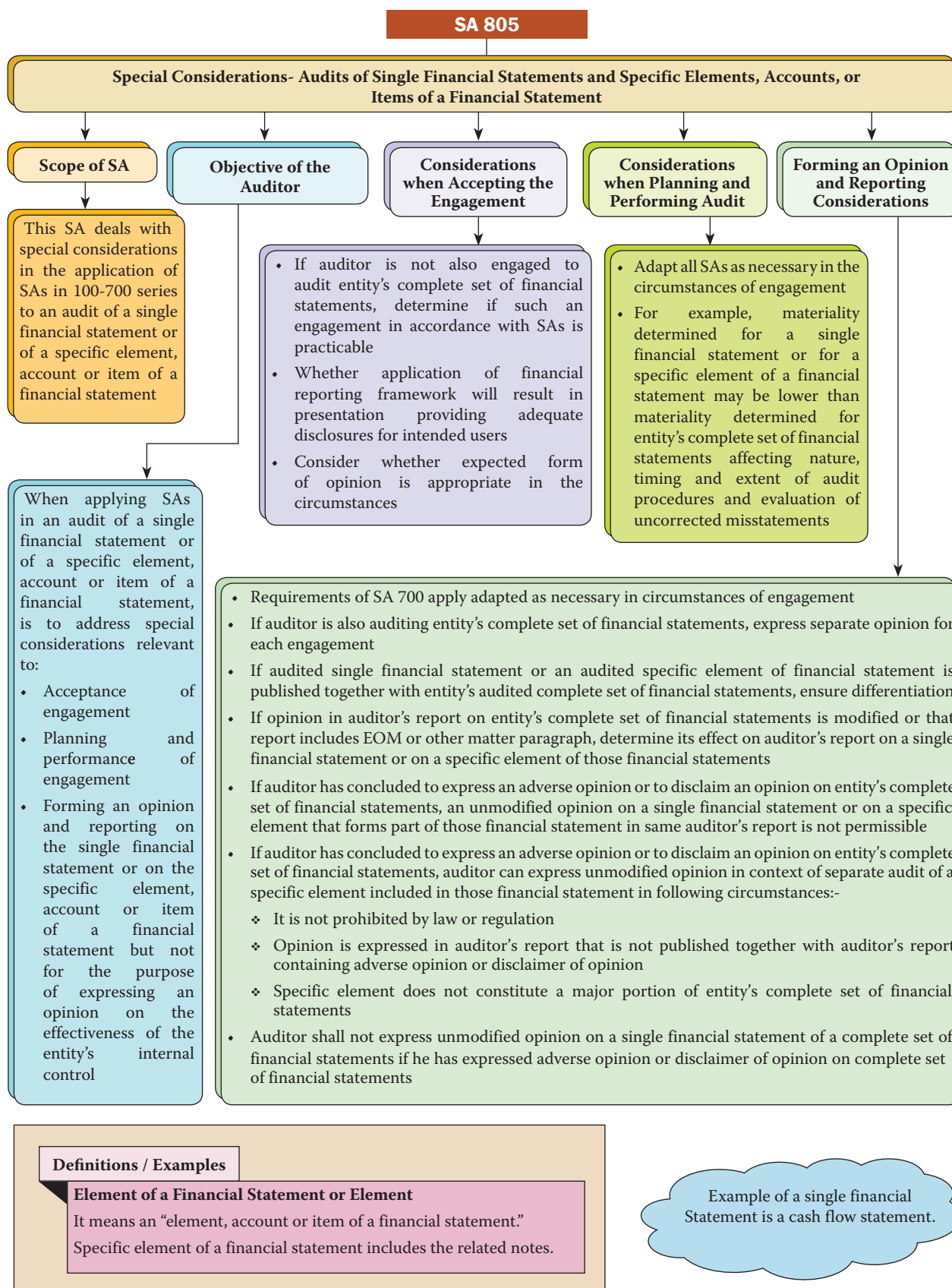


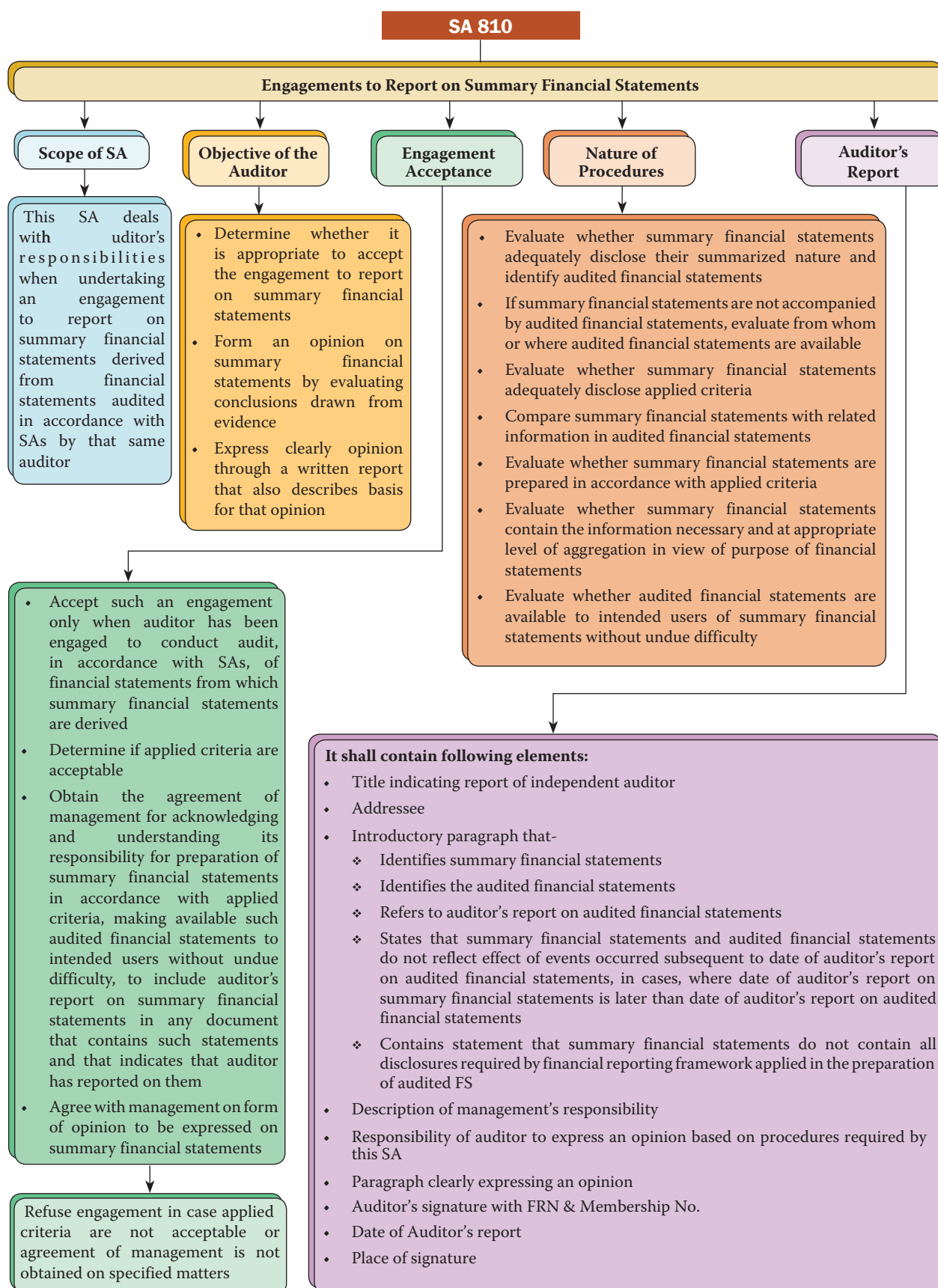




**Definitions**

- **Special Purpose Financial Statements**  
Financial statements prepared in accordance with special purpose framework
- **Special Purpose Framework**  
A financial reporting framework designed to meet the financial information needs of specific users. For example-cash receipts and disbursement basis of accounting for cash flow information that an entity may be requested to prepare for creditors, financial reporting provisions of a contract such as a bond indenture, loan agreement or a project grant

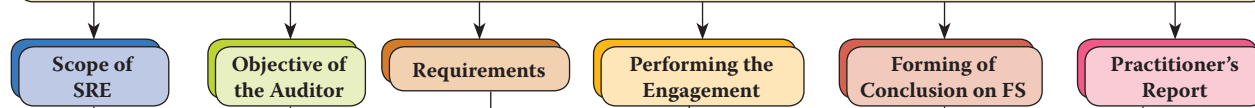




SRE 2000-2699 STANDARDS ON REVIEW ENGAGEMENTS (SRE)

SRE 2400

Engagements to Review Historical Financial Statements



**Scope of SRE**  
This SRE deals with practitioner's responsibilities when engaged to perform a review of historical financial statements when he is not auditor of entity's FS and form and content of practitioner's report on FS

**Objective of the Auditor**

- To obtain limited assurance primarily by inquiry and analytical procedures about whether FS as a whole are free from material misstatement enabling practitioner to express a conclusion
- To report on FS as a whole and communicate as required by this SRE

**Requirements**

- Comply with relevant ethical requirements including those pertaining to independence
- Maintain professional skepticism and exercise professional judgement
- Take responsibility for engagement level quality control
- Consider factors affecting acceptance and continuance of client relationships
- Determine that prior to accepting a review engagement, preconditions for accepting such engagement are met
- Agree terms of engagement
- Communication with TCWG

**Forming of Conclusion on FS**

Express an unmodified conclusion when limited assurance has been obtained to conclude that nothing has come to attention that causes to believe that FS are not prepared, in all material respects, in accordance with applicable financial reporting framework

Express a modified conclusion when it is determined that FS are materially misstated or sufficient appropriate evidence cannot be obtained in relation to one or more items in FS that are material in relation to FS as a whole

- If it is determined that FS are materially misstated express qualified conclusion when effects of matter giving rise to modification are material but not pervasive to FS
- When matters giving rise to modification are both material and pervasive to FS, express adverse conclusion
- If a conclusion on FS cannot be formed due to inability to obtain sufficient appropriate evidence, express qualified conclusion or disclaim conclusion, as appropriate
- Withdraw from engagement in case of limitation on scope and inability to obtain evidence to form conclusion, possible effects are material and pervasive & it is permissible under law or regulation

- Determine materiality for FS as a whole and apply it in designing procedures and in evaluating results
- Obtain an understanding of entity
- Design and perform inquiry and analytical procedures
- Remain alert for existence of related party relationships or transactions not identified or disclosed by management
- In case of indication of fraud or non-compliance with laws or regulations or such suspicion, communicate to management, request management's assessment of effects on FS, consider such effect on practitioner's conclusion and determine whether there is a responsibility to report such acts to a party outside the entity
- Consider management's assessment of entity's ability to continue as going concern
- Obtain evidence that FS agree to entity's underlying accounting records.
- Perform additional procedures in case practitioner becomes aware of matter due to which FS may be materially misstated
- If subsequent events require adjustment or disclosure, request management to make corrections
- Request management to provide written representations
- Evaluate evidence obtained from procedures performed
- Evaluate effect on practitioner's report

**Practitioner's Report**

**It shall contain following elements: -**

- Title indicating report of an independent practitioner for a review engagement
- Addressee
- Introductory paragraph identifying FS reviewed, reference to summary of significant accounting policies and other explanatory information and statement that FS have been reviewed
- Description of responsibility of management
- In case of special purpose financial statements, description of purpose of FS and in case of a choice of financial reporting framework, management responsibility including reference for determining that applicable financial reporting framework is acceptable in circumstances
- Description of practitioner's responsibility to express conclusion on FS including reference to SRE 2400 and, where relevant, applicable law or regulation
- Description of review of FS and its limitations stating that: -
  - A review engagement under SRE 2400 is a limited assurance engagement
  - Procedures primarily consisting of inquiry of management and others within entity and analytical procedures are performed and obtained evidence is evaluated.
  - Procedures performed in a review are substantially less than those performed in an audit and audit opinion is not expressed on FS
- Paragraph under heading "conclusion" that contains conclusion on FS as a whole and a reference to applicable financial reporting framework used to prepare FS
- In case conclusion is modified, a paragraph that contains modified conclusion and that provides description of matter giving rise to the modification
- A reference to comply with ethical requirements
- Date of practitioner's report
- Practitioner's signature
- Place of signature

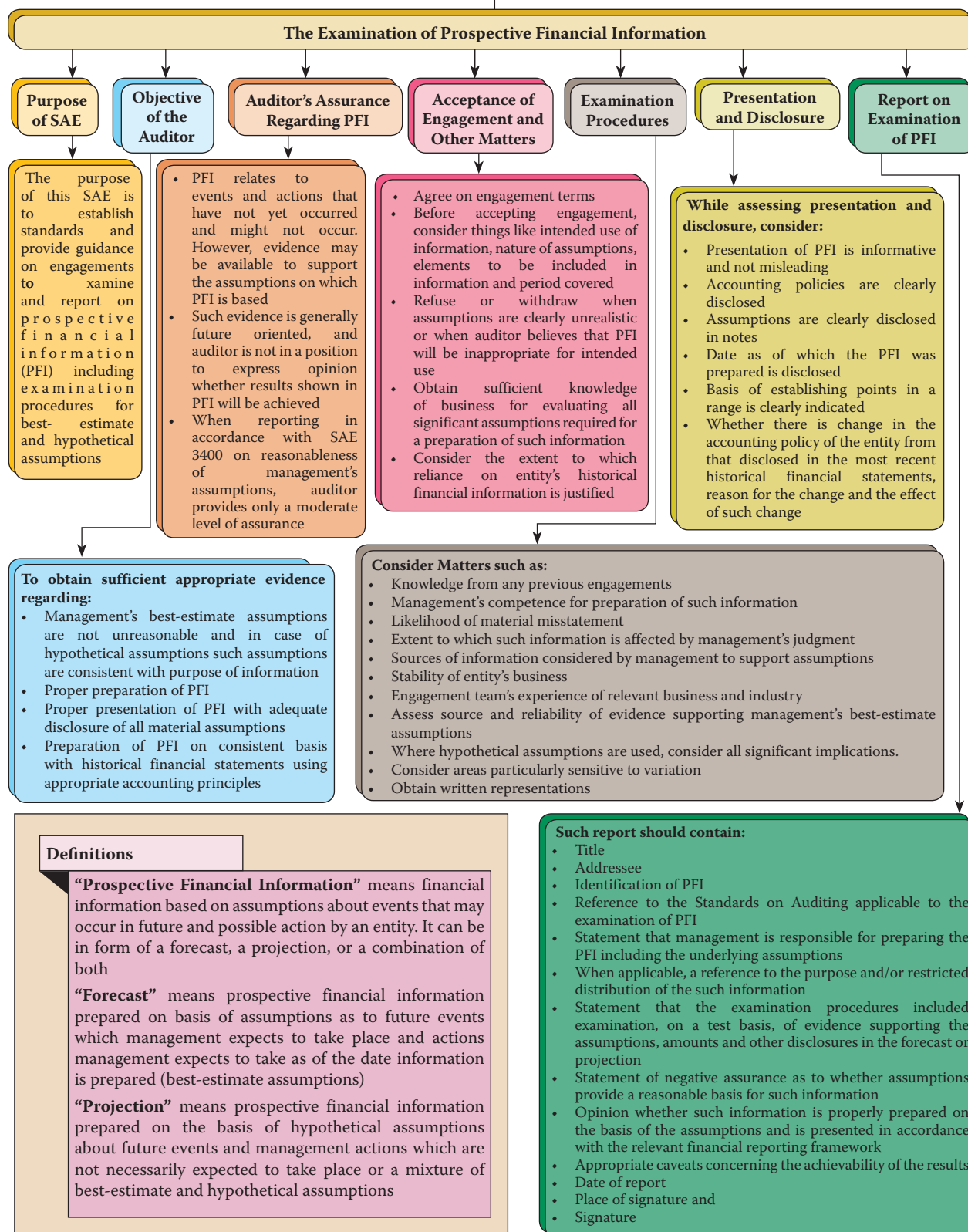
**Important**

- # Review under SRE 2400 is applicable to FS prepared under general purpose framework and special purpose framework containing historical financial information
- # Quality control at level of individual review engagements is premised on the basis that firm is subject to SQC 1

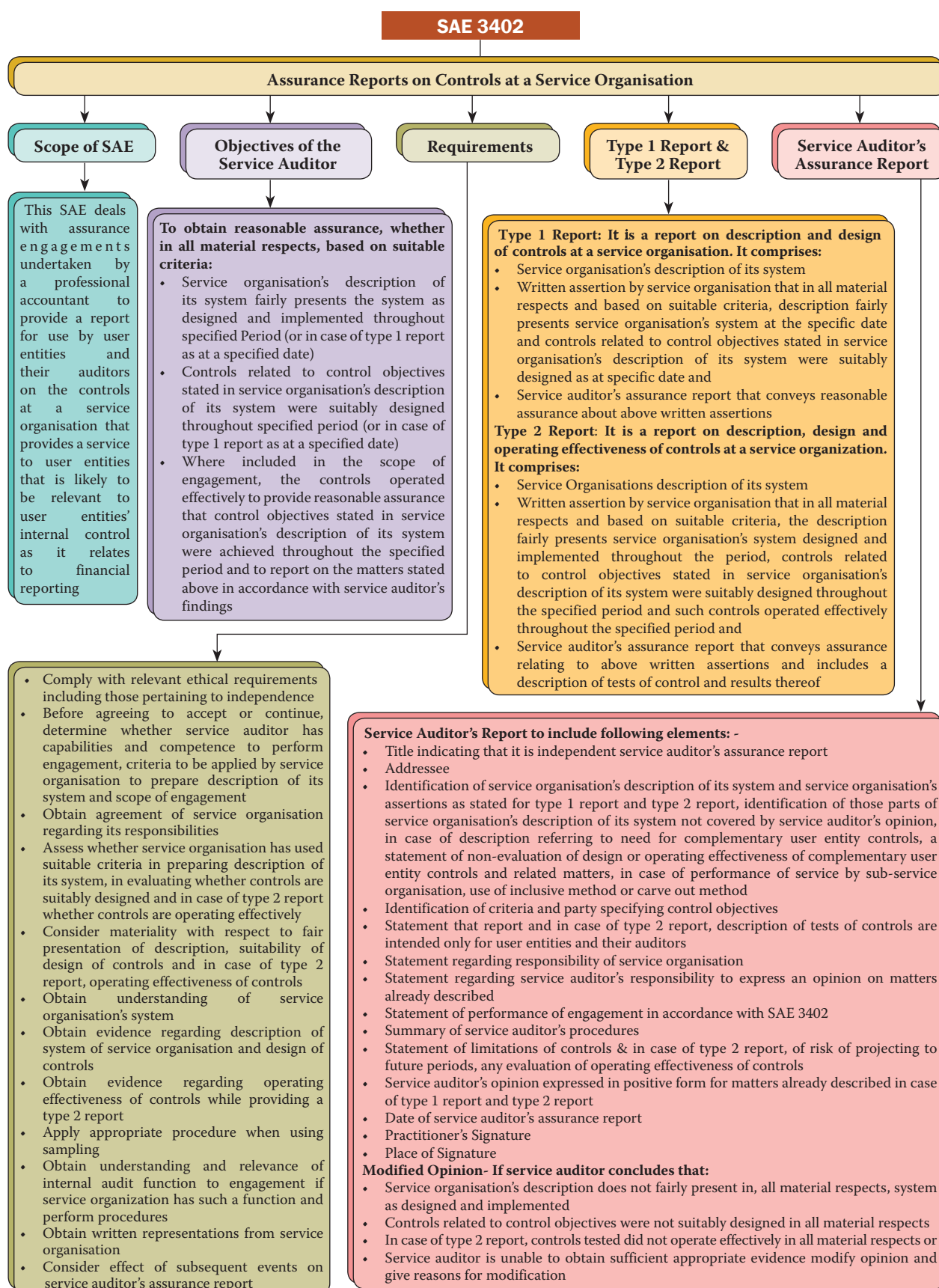


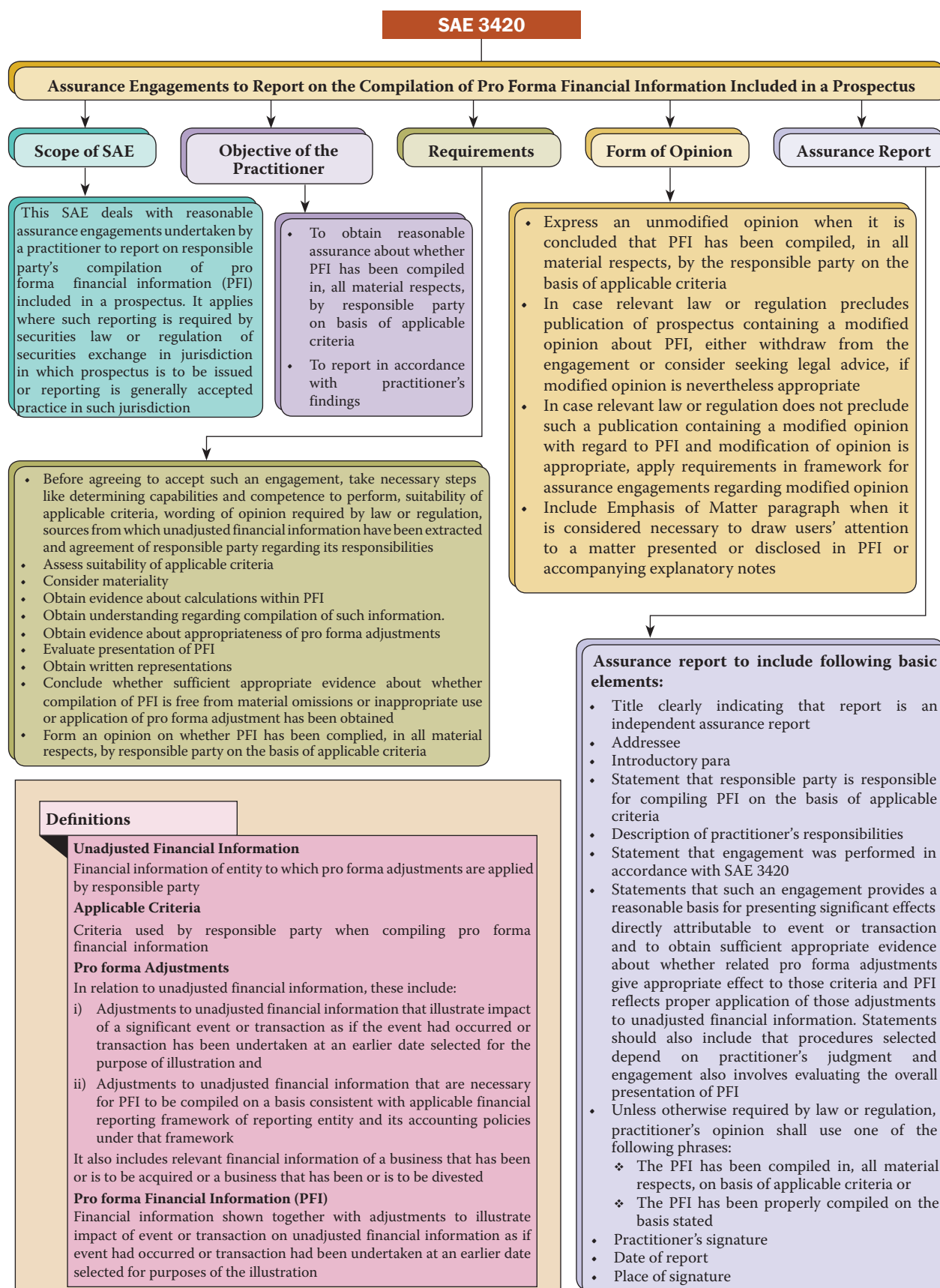
SAE 3000-3699 STANDARDS ON ASSURANCE ENGAGEMENTS

SAE 3400





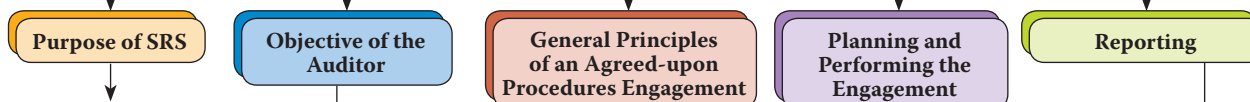




**SRS 4000-4699 STANDARDS ON RELATED SERVICES (SRS)**

**SRS 4400**

**Engagements to Perform Agreed-upon Procedures regarding Financial Information**



**Purpose of SRS**

The purpose of this SRS is to establish standards and provide guidance on auditor's responsibilities when an engagement to perform agreed-upon procedures regarding financial information is undertaken and, on the form and content of the report that the auditor issues in connection with such an engagement

**Objective of the Auditor**

The objective of an agreed upon procedures engagement is for the auditor to carry out 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

- General Principles of an Agreed-upon Procedures Engagement**
- Comply with ethical principles of integrity, objectivity, professional competence and due care, confidentiality, professional conduct and compliance with technical standards
  - Independence is not a requirement in such type of engagement. Give a statement to this effect in report of factual findings
  - Conduct engagement in accordance with SRS and terms of engagements which should be defined

- Planning and Performing the Engagement**
- Plan work for effective engagement performance
  - Document matters which are important in providing evidence to support report of factual findings, performance of engagement in accordance with SRS and terms of engagement
  - Perform procedures including:
    - ❖ Inquiry and analysis
    - ❖ Re-computation, comparison and other clerical accuracy checks
    - ❖ Observation
    - ❖ Inspection
    - ❖ Obtaining confirmations

**Reporting**

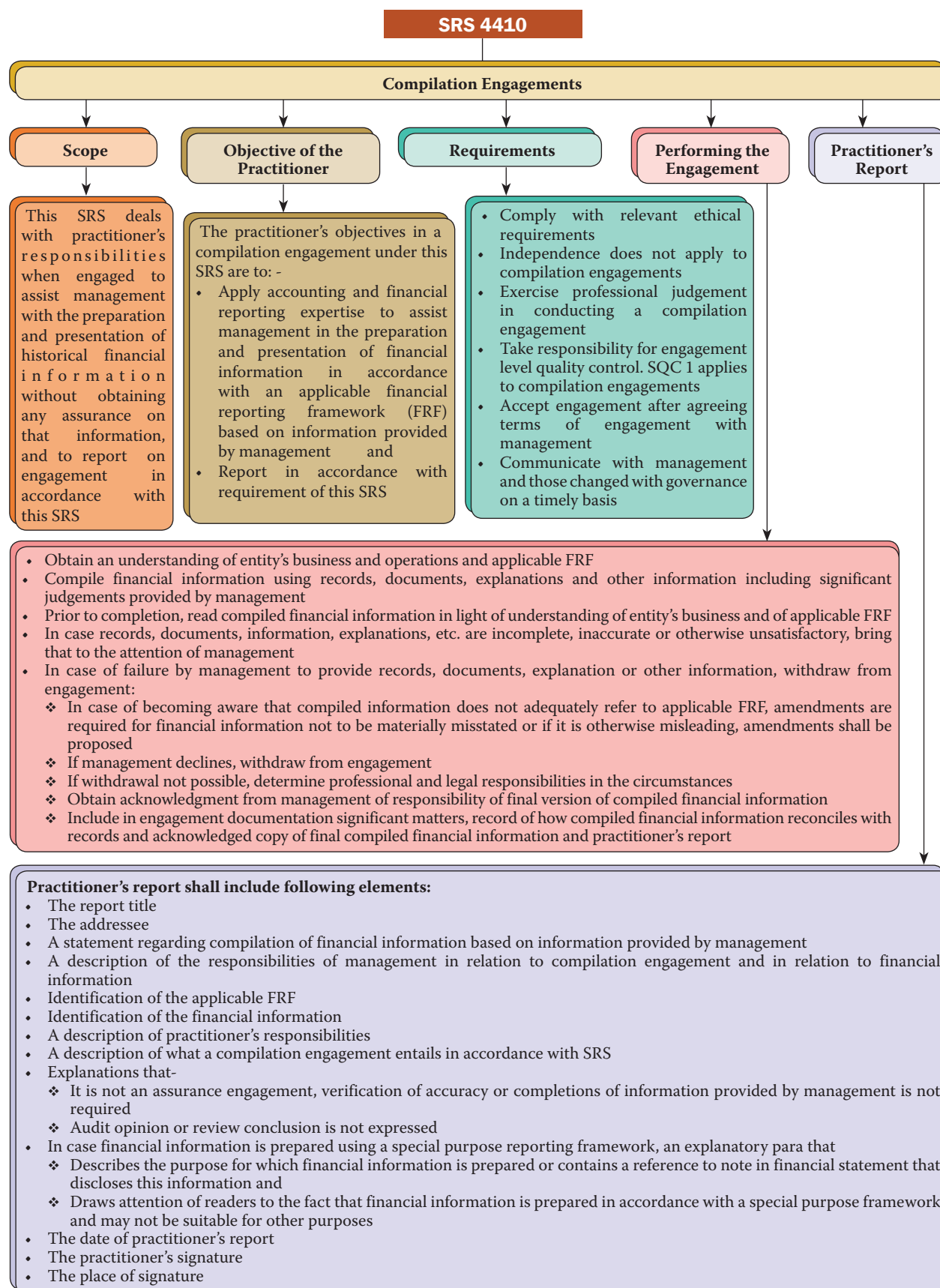
**Report should describe purpose and agreed-upon procedures of engagement. It should clearly mention that no audit or review has been performed. It should contain:**

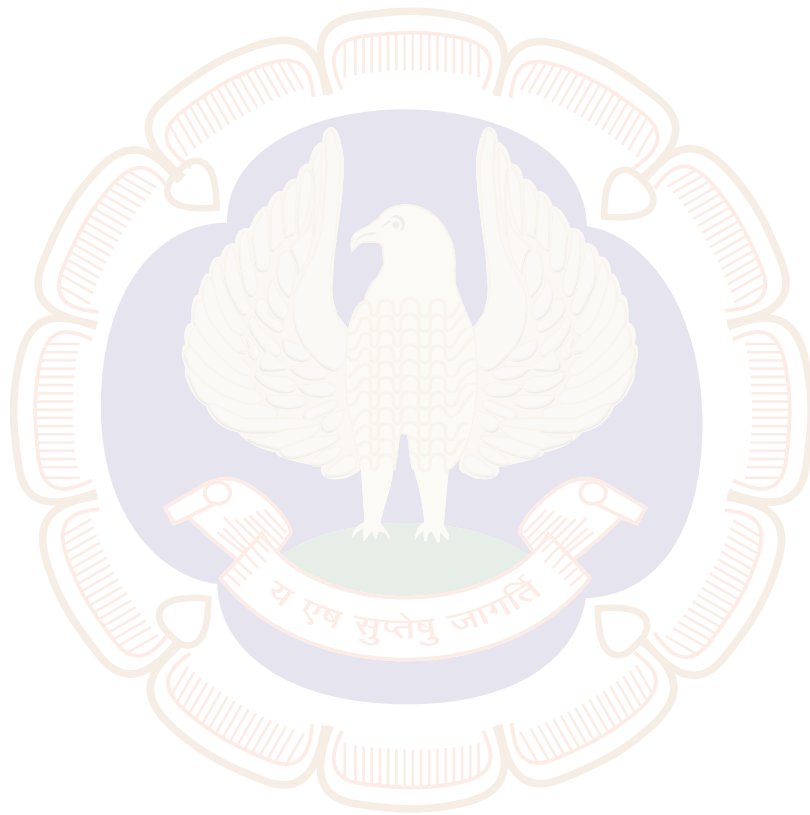
- Title
- Addressee
- Identification of specific information to which agreed-upon procedures applied
- A statement that procedures performed were those agreed-upon with the recipient
- A statement that the engagement was performed in accordance with this SRS
- Identification of purpose of performance of agreed-upon procedures
- A listing of the specific procedures performed
- A description of the auditor's factual findings
- A statement that procedures performed do not constitute either an audit or a review and no assurance is provided
- A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light
- A statement that the report is restricted to those parties that have agreed to procedures to be performed
- A statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's financial statements taken as a whole
- Date of Report
- Place of Signature
- Auditor's signature

**Example**

Engagement to perform agreed-upon procedures may include:

- Agreed upon procedures concerning individual items of financial data like accounts payable, accounts receivable, sales of a segment of entity
- A financial statement or complete set of FS





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Last Mile Referencer for

## AUDITING



### The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)

#### **Board of Studies (Academic)**

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