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AUDIT-95

CA Final & CA Inter Audit

Abki Baar Audit Mei Exemption Paaar!



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Videos &
Notes*

Brief about Author

- All India Ranker at all 3 levels of CA
- Scored 95 Marks in Audit - Highest marks in history of ICAI till Nov 23
- Articleship at KPMG, Mumbai in Statutory Audit Domain
- Industrial Training at DBS Bank

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SRS 4400 - Engagements to Perform Agreed-Upon Procedures (AUP) Regarding Financial Info

<p>Person performing related services need not be auditor of FS</p> <p>Eg of Related Services</p> <ul style="list-style-type: none"> • Preparation of tax returns • Consulting engagements • Engagements covered by SRS 	<p>Objective</p> <ul style="list-style-type: none"> • No assurance is provided by Auditor. Instead, users draw own conclusions - Diff from Audit • To carry out procedures of audit nature to which auditor, entity & any 3rd parties have agreed & to report on factual findings • Report is restricted to those parties that have agreed to procedures to be performed, since others may misinterpret results
<p>Eg. of AUP to evaluate A/c Payables</p> <ul style="list-style-type: none"> • Comparing names & amounts of suppliers to related names & amount in trial balance • Obtaining suppliers statements or confirmations to confirm balances outstanding • Comparison of statements or confirmations to amounts in trial balance 	<p>General Principles of AUP</p> <ul style="list-style-type: none"> • Auditor should comply with Code of Ethics including integrity, objectivity, professional competence & due care, confidentiality, professional conduct & technical standards • Independence is not required for AUP, unless terms or objective of engagement requires. Where auditor is not independent, statement should be made in report
<p>Terms of Engagement - Matters Included</p> <ul style="list-style-type: none"> • Nature of engagement that it is not audit or review & no assurance will be expressed • Stated Purpose for engagement • Identification of financial info to apply AUP • NTE of specific procedures to be applied • Limitations on distribution of report, If this contradicts L&R, not accept engagement <p>Engagement Letter - Matters Included</p> <ul style="list-style-type: none"> • Auditor sends engagement letter which confirms auditor's acceptance of appointment & helps avoid misunderstandings • List of procedures to be performed as AUP • Statement that distribution of report would be restricted to specified users <p>Procedures & Evidence - includes -</p> <ul style="list-style-type: none"> • Inquiry & analysis • Re computation, comparison & clerical checks • Observation • Inspection • Obtaining confirmations 	<p>Elements of Reporting</p> <ul style="list-style-type: none"> • Title • Addressee - Appointing Authority • Identification of Specific Info on which AUP are applied • Identification of purpose for performing AUP • Listing of procedures performed • Statement that procedures performed were those agreed-upon • Statement that engagement was performed as per this SRS • Statement that had auditor performed additional procedures/audit/review, other matters would have been reported • Description of factual finding • Statement that it is not audit or review • Statement that report is restricted to those agreeing to AUP • Statement that report relates only to elements specified & it does not extend to FS • Date of report • Place of signature • Auditor's signature
<p>Documentation</p> <ul style="list-style-type: none"> • Matters important to provide evidence to support report of factual findings • Evidence that engagement was carried out as per this SRS & terms of engagement 	

<p>SRS 4410 applies to compilation engagements for historical financial info. For other financial info & non-financial info, compilation engagements can be performed under this Standard after necessary adaptation</p> <p>Compilation engagement may be required for</p> <ul style="list-style-type: none"> To comply with Mandatory Periodic FR Requirements of L&R or For other purposes, including - <ul style="list-style-type: none"> For Mgt or TCWG for their particular purposes For Periodic FR for external parties under contract For Transactional Purposes <p>Compilation Engagement is not assurance as it does not require practitioner to verify accuracy or completeness of info or to express audit opinion or review conclusion</p>	<p>Scope of Compilation Engagements</p> <ul style="list-style-type: none"> It will vary. In some cases, Mgt may have already prepared financial info in draft form Mgt retains responsibility for financial info, basis of preparation, Judgment & A/cing Policies & estimates Diff FRFs can be used to prepare present financial info. FRF adopted by Mgt will depend on nature of entity & use of info <p>Ethical Requirements</p> <ul style="list-style-type: none"> Practitioner shall comply with ethical requirements Since its non-assurance engagement, independence requirements do not apply unless L&R requires
<p>Engagement Acceptance & Continuance</p> <p>Practitioner shall not accept engagement unless he has agreed terms with Mgt, & engaging party, including -</p> <ul style="list-style-type: none"> Objective & Scope of engagement Responsibilities of Practitioner Expected form & content of report Intended use of financial info & restrictions on use or distribution Responsibilities of Mgt for - <ul style="list-style-type: none"> Financial info & Acceptable FRF Design, implementation & maintenance of IC Accuracy & completeness of docs & explanations provided by Mgt Judgments in preparation of financial info Identification of AFRF <p>On recurring engagements, practitioner shall evaluate if circumstances require terms to be revised & if there is need to remind Mgt of existing terms</p>	<p>Communication with Mgt & TCWG</p> <p>All matters concerning compilation engagement that, in practitioner's professional judgment, are of sufficient importance to merit attention of Mgt or TCWG</p> <p>Engagement Level QC</p> <p>EP shall take responsibility for -</p> <ul style="list-style-type: none"> Overall quality of each engagement to which he is assigned Engagement being performed as per firm's QCS <p>Documentation</p> <ul style="list-style-type: none"> Significant matters arising during engagement & how they were addressed Copy of final version of compiled financial info for which Mgt or TCWG has taken responsibility & practitioner's report How compiled financial info reconciles with underlying docs & explanations

	<ul style="list-style-type: none"> • May also include, trial balance, significant a/cing records or other info used to perform compilation
<p>Performing Engagement</p> <ul style="list-style-type: none"> • Practitioner shall obtain understanding of following - <ul style="list-style-type: none"> ○ Entity's business & operations, including a/cing system & records ○ AFRF including its application in industry • He shall compile financial info using doc, explanation & significant judgments, provided by Mgt • He shall discuss with Mgt or TCWG, significant judgments for which he has provided assistance • Prior to completion of engagement, he shall read compiled financial info • If doc, explanation & significant judgments, provided by Mgt are incomplete, inaccurate or unsatisfactory, he shall request Mgt for additional or corrected info • If he is unable to complete engagement because Mgt has failed to provide docs & judgments, as requested, he shall withdraw from engagement & inform Mgt & TCWG of reasons for withdrawing • If he becomes aware that - <ul style="list-style-type: none"> ○ Compiled financial info does not adequately describe AFRF ○ Amendments to compiled financial info are required so that its not MM or ○ Compiled financial info is misleading • He shall propose appropriate amendments to Mgt • If Mgt declines, he shall withdraw from engagement & inform Mgt & TCWG of reasons for withdrawing • If withdrawal is not possible, he shall determine PRL responsibilities • He shall obtain acknowledgement from Mgt or TCWG, that they have taken responsibility for final version of compiled financial info 	<p>Elements of Practitioner's Report</p> <ul style="list-style-type: none"> • Report Title • Addressee as per terms of engagement • Description of practitioner's responsibilities • Description of what a compilation engagement requires as per this SRS • Statement that practitioner has compiled financial info based on info provided by Mgt • Explanations that - <ul style="list-style-type: none"> ○ Since it is not assurance engagement, practitioner is not required to verify accuracy or completeness of info ○ Accordingly, practitioner does not express audit opinion or review conclusion • Description of Mgt's & TCWG responsibilities • Identification, including title of each element & date/period of financial info • Identification of AFRF & if Special Purpose FRF is used, description of same • If financial info is prepared using Special Purpose FRF, para that - <ul style="list-style-type: none"> ○ Describes purpose for preparing financial info & intended users, or reference to note in financial info disclosing this info ○ Draws attention of readers to fact that financial info is prepared as per Special Purpose FRF & may not be suitable for other purposes • Date of report • Practitioner's signature • Place of signature