



LEARN WITH

# AUDIT-95

## CA Final & CA Inter Audit

Abki Baar Audit Mei Exemption Paaar!



CA Ankush Chirimar  
AIR 5,6,32

*Free Revision  
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

Follow us on :



<https://linktr.ee/ankushchirimar>

#Hum\_CA\_Banenge!

**SDG & ESG Assurance**

<p><b>Sustainability Reporting</b> is practice of reporting <b>publicly</b> on <b>economic, environmental &amp; social</b> impacts &amp; its <b>contributions</b> - positive or negative - towards <b>sustainable development</b> (SD). It is <b>info</b> that co. provides about its <b>performance</b> to <b>outside</b> world on regular basis in <b>structured way</b>. It is comprehensive <b>mechanism</b> of measuring &amp; disclosing <b>sustainability data</b> with performance indicators &amp; <b>mgt disclosures</b></p> <p><u>Expected Benefits</u> -</p> <ul style="list-style-type: none"> <li>• It helps <b>entities</b> to focus on <b>long-term value creation</b>, by addressing ESG issues</li> <li>• Investing in social &amp; environmental issues will <b>improve business continuity</b></li> <li>• It helps <b>stakeholders</b> to <b>understand</b> orgs <b>performance</b> v/s sustainability &amp; impacts</li> </ul>	<p>Concept of <b>SD</b> is named after <b>Brundtland</b> report</p> <p><b>3 pillars of sustainability &amp; their elements</b></p> <ol style="list-style-type: none"> <li>1. <u>Environment (E)</u> - Climate Change, Natural Resources, Pollution &amp; Waste &amp; Environment Opportunity</li> <li>2. <u>Social (S)</u> - Human Capital, Product Liability, Stakeholder Opposition &amp; Social Opportunity. It addresses <b>relationships</b> with people &amp; institution in <b>community</b> of your <b>business</b></li> <li>3. <u>Governance (G)</u> - Corporate Governance &amp; Corporate Behaviour. It is <b>internal system</b> of <b>practices</b>, controls, &amp; procedures <b>entity</b> adopts to <b>govern itself</b></li> </ol> <p>ESG reporting can be <b>quantitative</b> (metrics, KPIs) &amp; <b>qualitative</b> (strategy, policy) in nature</p>
<p><b>SD GOALS</b> Division for SD Goals in <b>UN Dept of Economic &amp; Social Affairs</b> provides substantive support</p> <p><u>Following are 17 SD Goals</u> - No Poverty; Reduced Inequalities; Zero Hunger; Sustainable Cities &amp; Communities; Good Health &amp; Well Being; Responsible Consumption &amp; Production; Quality Education; Climate Action; Gender Equality; Life Below Water; Clean Water &amp; Sanitization; Life on Land; Affordable &amp; Clean Energy; Peace, Justice &amp; Strong Institutions; Decent Work &amp; Economic Growth; Partnership for Goals; Industry Innovation &amp; Infrastructure</p> <p>Co. contribute to above goals through <b>innovative solutions</b></p>	<p><b>Global Trends in Sustainable Reporting</b></p> <ul style="list-style-type: none"> <li>• <b>Mandatory</b> reporting for <b>public sector</b> co., <b>large</b> co., <b>MNC conglomerates</b> &amp; <b>listed</b> co</li> <li>• <b>Most widely used</b> framework in world is <b>Global Reporting Initiative</b> Sustainability Reporting Standards having <b>93% of world's largest 250 co.</b> report on their <b>sustainability performance</b> through GRI. This independent international org is based in <b>Amsterdam, Netherlands</b></li> </ul> <ol style="list-style-type: none"> <li>1. <u>Global Reporting Initiative</u> - economic, environmental &amp; social impacts</li> <li>2. <u>Carbon Disclosure Project</u> - GHG emissions, water, forests &amp; supply chain</li> <li>3. International integrated reporting framework</li> </ol>
<p><b>6 Cs of Integrated Reporting</b></p> <ol style="list-style-type: none"> <li>1. <u>Financial Capital</u> - <b>Pool of funds</b> available to org for production of goods or services. Obtained via <b>financing</b> (debt, equity, or grants)/<b>generated</b> via <b>operations/ investments</b></li> </ol>	<p><b>United Kingdom</b> UK ESG <b>disclosures</b> for annual reporting <b>apply</b> to <b>listed</b> co. or co. <b>turnover exceeding £500 million</b> or co. having <b>&gt; 500 employees</b></p>

<p>2. <u>Human Capital</u> - People's skills &amp; experience, capacity &amp; motivations, including -</p> <ul style="list-style-type: none"> <li>• Alignment with org's <b>governance</b> framework &amp; <b>ethical</b> values</li> <li>• Ability to <b>understand</b> &amp; implement org's <b>strategy</b></li> <li>• <b>Loyalties</b> &amp; <b>motivations</b> for improving processes, goods &amp; services</li> </ul> <p>3. <u>Intellectual Capital</u> - Key element in org's future earning <b>potential</b>, <b>investment</b> in R&amp;D, <b>innovation</b>, HR &amp; external relationships</p> <p>4. <u>Natural Capital</u> - <b>Input to production</b> of goods or services. Org's activities also impact natural capital. Includes water, land, minerals &amp; forests, biodiversity, &amp; ecosystem health</p> <p>5. <u>Social Capital</u> - <b>Institutions</b> &amp; <b>relationships</b> b/w community, stakeholders &amp; networks to <b>enhance</b> individual &amp; collective <b>well-being</b>. Includes -</p> <ul style="list-style-type: none"> <li>• Common <b>values</b> &amp; behaviour</li> <li>• Key <b>relationships</b>, trust &amp; loyalty</li> <li>• Org's <b>social license</b> to operate</li> </ul> <p>6. <u>Manufactured Capital</u> - Seen as <b>human-created</b>, <b>production</b> equipment &amp; <b>tools</b>. Available for production of goods/services</p>	<p><b>Business Responsibility &amp; Sustainability Report (BRSR)</b> Applicable to <b>Top 1,000 Listed Co.</b></p> <p><u>3 sections</u> -</p> <p>A. <u>General Disclosures</u> - Details of <b>listed co.</b>, its products, services, holding, subsidiary etc</p> <p>B. <u>Mgt Process &amp; disclosures</u> - Governance &amp; Leadership</p> <p>C. <u>Principle-wise performance disclosures</u> - 2 Categories KPIs</p> <ul style="list-style-type: none"> <li>• <b>Essential indicator</b> (<b>Mandatory</b> disclosure) - Less efforts - E.g. membership of org</li> <li>• <b>Leadership indicator</b> (<b>Optional</b> disclosure) - More efforts - E.g. inputs in meetings</li> </ul> <p><b>Methodology to provide assurance on BRSR</b></p> <ul style="list-style-type: none"> <li>• <b>Preliminary Review</b> of ESG report</li> <li>• <b>On-site Assessment/Verification</b> of ESG Report</li> <li>• <b>Submission of findings</b> of on-site assessment &amp; doc review</li> <li>• <b>Review</b> of <b>responses</b> &amp; clarifications on findings</li> <li>• <b>Preparation of Assessment/Verification report</b> including final results</li> <li>• <b>Issuance</b> of <b>Assessment Report</b> &amp; Statement</li> </ul>
---	---

**9 Principles of BRSR**  
2 of Environment, 3 of Social & 4 of Governance

<p><b>Principle 1 - Ethics, Transparency &amp; Accountability</b> - core elements -</p> <ul style="list-style-type: none"> <li>• Entities' <b>governing structure</b> shall develop <b>policies</b> ensuring that <b>ethics</b> is <b>not compromised</b></li> <li>• Info of <b>policies</b> shall be made <b>available to stakeholders</b></li> <li>• Entities in <b>value chain</b> shall <b>adopt</b> these principles</li> <li>• Entities shall proactively <b>respond</b> to outside <b>entities</b> that <b>violate 9 principles</b> of BRSR</li> <li>• For <b>adverse effects</b>, give more transparent <b>disclosures</b></li> </ul>	<p><b>Principle 3 - Promote well-being of all employees including those in value chain</b> - core elements -</p> <ul style="list-style-type: none"> <li>• Entities shall <b>prevent child</b>, bonded &amp; involuntary <b>labour</b></li> <li>• Entities shall <b>respect dignity</b> of employee as human being &amp; <b>not restrict</b> their <b>freedom</b> of associations</li> <li>• Entities shall ensure that <b>work-life balance</b> is not compromised</li> <li>• <b>Skill &amp; career development</b> &amp; training of workforce is responsibility of entities</li> <li>• Entities shall ensure <b>timely payment</b> of <b>wages</b></li> <li>• Payment of wages shall be as per <b>living wages</b> providing basic <b>needs</b> &amp; economic <b>security</b></li> </ul>
---	---

<p><b>Principle 2 - Safe &amp; Sustainable Goods &amp; Services</b> - core elements -</p> <ul style="list-style-type: none"> <li>• Entities shall <b>reduce</b> over <b>exploitation</b> of <b>resources</b> by methods of <b>reduce, reuse &amp; recycle</b></li> <li>• Entities shall educate &amp; <b>aware its consumers</b> &amp; clients about their <b>rights</b></li> <li>• When <b>product</b> is designed in way to <b>minimize resource usage</b> to make it sustainable</li> </ul>	<ul style="list-style-type: none"> <li>• Entities shall create <b>safe, hygienic, &amp; comfortable workplace</b></li> <li>• Creation of workplace that is <b>free</b> of <b>harassment &amp; violence</b> is responsibility of entity</li> <li>• Entity shall <b>comply</b> with all <b>regulatory requirements</b> of employees</li> </ul>
<p><b>Principle 4 - Respect for stakeholders' interests &amp; responsiveness</b> - core elements -</p> <ul style="list-style-type: none"> <li>• Entities shall determine their operation &amp; <b>identify interested parties</b></li> <li>• Entities shall be transparent &amp; <b>communicate</b> with <b>stakeholders</b> about <b>impacts of operations</b> &amp; business decisions on people &amp; nature</li> <li>• Entities shall fairly <b>share benefits</b> to stakeholders</li> </ul>	<p><b>Principle 5 - Respect &amp; promote human rights</b> - core elements -</p> <ul style="list-style-type: none"> <li>• Entities shall have <b>understanding</b> of <b>human rights</b> &amp; ways by which human rights can be <b>violated</b></li> <li>• Entities when developing Mgt systems, shall <b>integrate human rights</b> element <b>into policies</b></li> <li>• Businesses shall <b>recognize &amp; respect human rights</b> of all relevant stakeholders</li> </ul>
<p><b>Principle 6 - Protection &amp; restoration of Environment</b> - core elements -</p> <ul style="list-style-type: none"> <li>• Entities shall <b>contribute for climate change</b> resilience as per <b>India's commitment</b></li> <li>• Entities shall use <b>natural &amp; manmade resources</b> in <b>optimum manner</b></li> <li>• Entities shall <b>compare</b> its activities with <b>industry best practices</b> to reduce, reuse &amp; recycle resources</li> <li>• Entities shall <b>measure performance</b> for <b>prevention</b> of <b>pollution</b>, waste generation etc</li> <li>• Entities shall look ways to <b>improve performance</b> for environment responsibilities</li> <li>• Entities shall have policies to <b>assess &amp; rectify impacts</b> to environment</li> </ul>	<p><b>Principle 7 - Influence on Public &amp; Regulatory Policy</b></p> <ul style="list-style-type: none"> <li>• <b>Core elements</b> to have met when org go ahead with <b>contributions to policy formulation &amp; advocacy</b></li> <li>• <b>Collective associations</b> like trade groups &amp; industry chambers be <b>utilized</b> for policy advocacy &amp; formulation</li> <li>• Role in policy advocacy shall <b>encourage fair competition</b> &amp; prevent human rights abuses</li> </ul>
<p><b>Principle 8 - Promote Inclusive Growth &amp; equitable development</b> - core elements -</p> <ul style="list-style-type: none"> <li>• Entities shall identify &amp; <b>address impacts</b> of its activities on <b>social, cultural &amp; economic</b> aspects of people</li> <li>• Entities shall <b>review adverse impacts</b> &amp; make <b>action plans</b> to mitigate them</li> <li>• Entities shall ensure that <b>displacement</b> of communities does <b>not</b> happen &amp; in unavoidable</li> </ul>	<p><b>Principle 9 - Provide value to consumers in responsible manner</b> - core elements -</p> <ul style="list-style-type: none"> <li>• When designing &amp; <b>marketing products</b>, org shall not prevent <b>freedom of choice &amp; fair competition</b></li> <li>• Entities shall transparently <b>disclose adverse impacts</b> to user, planet, society, on biodiversity <b>from products</b></li> <li>• Entity shall <b>reduce negative impacts</b> of products on people, environment &amp; society</li> </ul>

<p>cases, provide <b>fair compensation</b> to affected people</p> <ul style="list-style-type: none"> <li>• Entities shall bring <b>creative products</b> to help <b>marginalized communities</b> with well-being &amp; better quality of life</li> <li>• Entities when designing <b>CSR activities</b> shall help <b>marginalized communities</b></li> <li>• All forms of <b>intellectual property</b> &amp; traditional knowledge shall get <b>respect</b> from org</li> </ul>	<ul style="list-style-type: none"> <li>• When <b>advertising</b> products, orgs shall ensure that <b>misleading</b> &amp; <b>confusing</b> info is <b>not</b> exposed to customers</li> <li>• When handling customer data, <b>right to privacy</b> shall be maintained</li> <li>• Entities providing <b>essential goods</b> &amp; services shall enable <b>universal access</b></li> <li>• Entities shall <b>inform customers</b> on safe ways of <b>usage</b>, reuse, recycling &amp; <b>disposal</b> of products &amp; eliminate over-consumption</li> <li>• Entities shall have transparent &amp; accessible <b>grievance redressal &amp; feedback system</b></li> </ul>
---	---

### Assurance in BRSR

Standard on Sustainability Assurance Engagement (SSAE) **3000** - **Assurance Engagement on Sustainability Info** - providing reasonable or limited assurance  
 SSAE **3410**, Assurance Engagements on **Greenhouse Gas Statements**

### Intended users of SSAE 3000 -

- **Assurance providers** providing assurance on sustainability info
- **Entities** seeking to **engage** professional auditor
- Regulators, investors & other **users of Sustainability Reporting data**

### Effective date of application of SSAE 3000 is -

- **Voluntary** basis for period ending on **31st March 2023**
- **Mandatory** basis for period ending on/after **31st March 2024**

### Role of Auditor - Consideration of Climate related Risks in Audit of FS

- Role of auditor is to obtain **reasonable assurance** whether **FS are free from MM** due to fraud/error
- While **understanding** entity, he shall consider **climate risks** & how they are **relevant to audits**
- Many **investors** are seeking **info** from auditor's **reports** about **how climate-related risks were addressed** in audit. With this increased focus on climate change, **auditor** may face increasing **pressure for transparency** about **climate matters** in auditor's reports
- Auditor's **report** provides info about auditor's responsibilities & **understanding of matters of most significance** in audit
- In some circumstances, it **may include EOM para** to draw **attention to disclosures** having fundamental importance to users' understanding of FS
- Auditor shall determine whether entity has **appropriately disclosed relevant climate-related info** in FS as per **AFRF**
- Auditor shall also **read other info** for **consistency** with info disclosed in FS & info **publicly communicated to stakeholders** outside FS as per **SA 720**