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# AUDIT-95

## CA Final & CA Inter Audit

Abki Baar Audit Mei Exemption Paaar!



CA Ankush Chirimar  
AIR 5,6,32

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

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

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

**SRE 2400 - Engagements to Review Historical FS**

Audit	Review
Performs <b>elaborate &amp; extensive</b> procedures	Perform <b>fewer procedure</b> focusing on inquiry & AP
Draws <b>reasonable conclusions</b> on basis of SAAE	Draws <b>limited conclusions</b> on basis of SAAE
Provides assurance <b>opinion</b> whose language is <b>positively worded</b>	Provides assurance <b>conclusion</b> whose language is <b>negatively worded</b>
<b>Reasonable assurance</b> engagement providing reasonable level of assurance	<b>Limited assurance</b> engagement providing <b>lower level</b> of assurance than Audit

**Review** is related to FS prepared on basis of **historical financial info just like audit**

<ul style="list-style-type: none"> <li>• <b>SRE 2400</b> deals with <b>practitioner's responsibility</b> performing review of FS <b>when he is not auditor</b> of FS</li> <li>• Practitioner performs <b>primarily Inquiry &amp; AP</b> to obtain SAAE. If <b>FS have MM</b>, he performs necessary <b>additional procedures</b></li> </ul>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>• Obtain <b>limited assurance</b> about whether FS are <b>free from MM</b> &amp; whether practitioner believes FS are <b>not prepared</b>, in all material respects, <b>as per AFRF</b></li> <li>• <b>Report</b> on FS &amp; <b>communicate</b> as per SRE</li> </ul> <p>When <b>limited assurance cannot be obtained</b> &amp; modified conclusion is insufficient in circumstances, Practitioner shall <b>either disclaim conclusion or withdraw</b>, if possible under L&amp;R</p>
<p><b>Ethical Requirements &amp; Engagement Level QC</b></p> <p>Comply with ethical requirements, <b>including independence</b> &amp; <b>EP</b> is responsible for overall <b>quality</b> of <b>each review</b> engagement</p> <p><b>Factors affecting Acceptance of Review</b></p> <p>Unless required by L&amp;R, practitioner shall <b>not accept</b> review engagement <b>if</b> -</p> <ul style="list-style-type: none"> <li>• He is <b>not satisfied</b> -             <ul style="list-style-type: none"> <li>○ There is <b>rational purpose</b> for <b>engagement</b>. Rational Purpose may <b>not</b> be <b>present if</b> -                 <ul style="list-style-type: none"> <li>▪ <b>L&amp;R</b> requires FS to be <b>audited</b></li> <li>▪ There is significant <b>limitation on scope</b></li> <li>▪ He suspects <b>association of his name</b> with FS in <b>inappropriate</b> manner</li> </ul> </li> <li>○ That <b>review</b> engagement would be <b>appropriate</b>. If <b>not</b> appropriate, he may recommend <b>another type</b> of engagement, for <b>eg</b> -                 <ul style="list-style-type: none"> <li>▪ <b>Audit</b> is <b>more appropriate</b> than review</li> <li>▪ If circumstances <b>prohibit assurance</b> engagement, he may recommend <b>compilation or other</b> engagements</li> </ul> </li> </ul> </li> </ul>	<p><b>Preconditions for Accepting Review Engagement</b></p> <ul style="list-style-type: none"> <li>• Determine if <b>FRF is acceptable</b> &amp; in <b>Special Purpose</b> FS, obtain purpose of FS &amp; users</li> <li>• Obtain agreement of <b>Mgt</b> that it acknowledge &amp; <b>understands its responsibilities</b> -             <ul style="list-style-type: none"> <li>○ For preparation of <b>FS as per AFRF</b></li> <li>○ For such <b>IC as necessary</b> to enable FS preparation free from MM</li> <li>○ To <b>provide practitioner</b> with -                 <ul style="list-style-type: none"> <li>▪ <b>Access to all info</b></li> <li>▪ <b>Additional info</b> that he may request</li> <li>▪ <b>Unrestricted access to</b> persons within entity to obtain audit evidence</li> </ul> </li> </ul> </li> </ul> <p>If practitioner is <b>not satisfied</b> for above matters, he shall <b>discuss with Mgt</b> or TCWG</p> <p>If <b>changes cannot</b> be made, he shall <b>not accept</b> engagement unless required by L&amp;R. <b>If</b> required by <b>L&amp;R</b>, he shall <b>not</b> include <b>reference</b> to review conducted as per this <b>SRE</b></p> <p>If, <b>after accepting</b> engagement, practitioner is <b>not satisfied</b> as to any preconditions, he shall <b>discuss with Mgt</b> or TCWG &amp; determine -</p>

<ul style="list-style-type: none"> <li>• He believes that <b>ethical</b> requirements, including <b>independence</b>, will <b>not be satisfied</b></li> <li>• His preliminary <b>understanding indicates</b> that <b>info</b> to perform review is likely to be <b>unavailable or unreliable</b></li> <li>• He <b>doubts Mgt's integrity</b> that will affect performance of review</li> <li>• Mgt or TCWG <b>impose limitation on scope</b> of work such that it will result in him <b>disclaiming conclusion</b> on FS</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Whether</b> matter can be <b>resolved</b></li> <li>• Whether to <b>continue engagement</b></li> <li>• Whether &amp; <b>how to communicate</b> matter in <b>report</b></li> </ul>
<p><b>Agreeing to Terms of Engagement</b></p> <ul style="list-style-type: none"> <li>• <b>Prior</b> to <b>performing</b> engagement</li> <li>• <b>Recorded</b> in engagement <b>letter</b></li> <li>• On <b>recurring</b> engagement, evaluate if <b>terms need</b> to be <b>revised</b> &amp; need to <b>remind Mgt</b> of <b>existing</b> terms</li> <li>• <b>Not agree</b> to <b>change</b> in terms if there is <b>no reasonable justification</b> for doing so</li> <li>• If, <b>prior to completing</b> review, he is <b>requested to change</b> to engagement for which <b>no assurance</b> is obtained, he shall determine if there is <b>reasonable justification</b></li> <li>• If terms are <b>changed</b>, He &amp; Mgt shall agree &amp; <b>record new terms</b> in engagement <b>letter</b></li> </ul>	<p><b>Materiality in Review of FS</b></p> <ul style="list-style-type: none"> <li>• Practitioner's <b>judgment</b> about what is material is <b>same regardless of level of assurance</b> obtained by him for expressing conclusion</li> <li>• He shall <b>revise materiality</b> when becoming aware of any <b>info during review</b> that would have caused him to determine <b>diff amount initially</b></li> </ul> <p><b>Obtaining Understanding of Entity</b></p> <p>To identify <b>areas where MM</b> are likely to arise &amp; design procedures to <b>address those areas</b></p>
<p><b>Designing &amp; Performing Inquiry &amp; AP</b></p> <p><b>Inquiry</b> - It includes <b>seeking info</b> from Mgt &amp; other persons within entity Depending on circumstances, <b>inquiries also about</b> -</p> <ul style="list-style-type: none"> <li>• <b>Actions</b> taken at <b>meetings of owners</b>, TCWG that <b>affect info</b> &amp; disclosures in FS</li> <li>• <b>Communications</b> entity has <b>received</b> from <b>regulatory agencies</b></li> <li>• <b>Matter</b> aroused in applying <b>other procedures</b></li> </ul> <p><b>AP</b> - Practitioner considers <b>whether data</b> from a/cing system &amp; records is <b>adequate for performing AP</b></p> <p><b>Why "Inquiry" &amp; "Analytical procedures" are important in Review?</b></p> <ul style="list-style-type: none"> <li>• <b>Inquiry</b> is principal source of <b>evidence</b> about <b>Mgt intent</b>. In that case, understanding <b>Mgt's past history</b> of performing its intentions,</li> </ul>	<p><b>Procedures to Address Specific Circumstances</b></p> <ul style="list-style-type: none"> <li>• <b>Related parties</b> - Practitioner shall remain <b>alert for existence</b> of RP that Mgt has <b>not</b> previously <b>disclosed</b> to him. If he identifies significant transactions <b>outside normal course</b> of business, he shall inquire Mgt about <b>nature</b> of transactions, <b>involvement of RP</b> &amp; business <b>rationale</b></li> <li>• <b>Fraud &amp; Non-compliance with L&amp;R</b> - When Practitioner <b>identifies/suspects</b> them, he shall <b>communicate to Mgt</b> or TCWG &amp; request assessment of <b>effects on FS</b> &amp; determine if there is <b>responsibility to report fraud</b> or illegal acts to party <b>outside entity</b></li> <li>• <b>Going concern</b> - If practitioner becomes aware of <b>events or conditions</b> that may cast <b>significant doubt</b> about entity's ability to continue as <b>GC</b>, he shall -             <ul style="list-style-type: none"> <li>◦ Inquire Mgt's <b>future plans</b> &amp; its <b>feasibility</b></li> </ul> </li> </ul>

<p><b>reasons</b> for choosing <b>action</b> &amp; Mgt's <b>ability to pursue action</b> may provide info to corroborate evidence obtained through inquiry</p> <ul style="list-style-type: none"> <li>• Application of <b>professional scepticism</b> is important to evaluate if <b>FS have MM</b></li> <li>• Inquiry also assists to <b>update</b> practitioner's <b>understanding of entity</b> to identify <b>areas</b> where <b>MMs are likely</b> to arise in FS</li> </ul> <p><b>AP assists practitioner to</b></p> <ul style="list-style-type: none"> <li>• <b>Update understanding</b> of entity, to identify <b>areas</b> where <b>MM are likely</b> to arise in FS</li> <li>• Provide <b>corroborative evidence</b> for inquiries or AP already performed</li> <li>• Identify <b>inconsistency</b> from expected <b>trends</b></li> <li>• Serve as <b>additional procedures</b> when he believes that <b>FS have MM</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Evaluate <b>result of inquiry</b>, to consider if Mgt response provide <b>sufficient basis</b> to -             <ul style="list-style-type: none"> <li>▪ Continue to <b>present FS as GC</b> if AFRF includes assumption of GC or</li> <li>▪ Conclude if <b>FS have MM</b> for entity's ability to continue as <b>GC</b></li> </ul> </li> <li>○ Consider Mgt's <b>responses</b> in light of <b>all info</b> present</li> <li>• <b>Use of work performed by others</b> - If practitioner uses work performed by another practitioner or expert, he shall be <b>satisfied</b> that <b>work</b> performed is <b>adequate</b> for his purposes. <b>When</b> he is engaged to review FS of <b>group</b>, planned NTE of procedures are directed at <b>achieving his objectives for group FS</b></li> </ul>
<p><b>Additional procedures when FS may have MM</b></p> <ul style="list-style-type: none"> <li>• <b>Additional Inquiry or AP</b> - In greater <b>detail</b> or focused on <b>affected items</b> or</li> <li>• <b>Other procedure</b> - TOD or confirmations</li> </ul> <p><b>Practitioner performs additional procedures to</b></p> <ol style="list-style-type: none"> <li><b>Conclude</b> that matter will <b>not</b> cause <b>MM in FS</b> - <b>no further procedures</b> are required or</li> <li>Determine that matter <b>causes MM in FS</b> - <b>No further procedures</b> are required &amp; he will <b>conclude</b> that <b>FS have MM</b></li> </ol> <p>The <b>evaluation</b> of results of additional procedures may enable practitioner to get to <b>(a) or (b) above</b>.</p> <p><b>If not</b>, he is required to -</p> <ul style="list-style-type: none"> <li>• <b>Continue</b> performing <b>additional</b> procedures <b>until</b> he reaches either <b>(a) or (b)</b> or</li> <li>• If he is <b>not able to reach</b> either a or b, then <b>scope limitation exists</b> &amp; he is <b>not</b> able to <b>form unmodified</b> conclusion on FS</li> </ul>	<p><b>Subsequent Events</b></p> <ul style="list-style-type: none"> <li>• If practitioner becomes aware of <b>events occurring</b> b/w date of <b>FS</b> &amp; date of <b>report</b> that require <b>adjustment or disclosure</b> in FS, he shall <b>request Mgt to correct</b> those misstatements</li> <li>• He has <b>no obligation</b> to perform any <b>procedures after</b> date of <b>report</b>. However, if, after date of report but <b>before FS</b> are <b>issued</b>, <b>fact</b> is known that may have caused him to <b>amend report</b>, he shall -             <ul style="list-style-type: none"> <li>○ <b>Discuss with Mgt</b> or TCWG</li> <li>○ Determine if <b>FS need amendment</b></li> <li>○ If so, <b>inquire</b> how <b>Mgt</b> intends to <b>address matter</b> in FS</li> </ul> </li> <li>• If Mgt does <b>not amend</b> FS when he <b>requires</b> &amp; his <b>report</b> is already <b>provided</b> to entity, he shall <b>notify Mgt</b> &amp; TCWG <b>not to issue</b> FS. If <b>FS</b> are issued <b>without amendments</b>, he shall take action to <b>prevent reliance on report</b></li> </ul>
<p><b>Written Representations</b></p> <p>If <b>Mgt</b> modifies or <b>not provide WR</b>, it may alert practitioner that significant <b>issues may exist</b></p>	<p><b>Forming conclusion on FS</b></p> <p>Practitioner shall <b>consider impact of</b> -</p> <ul style="list-style-type: none"> <li>• <b>Uncorrected misstatements</b> identified during current &amp; previous year's review</li> <li>• <b>Qualitative aspects</b> of a/cing practices</li> </ul>

<p>WR shall <b>include</b> that -</p> <ul style="list-style-type: none"> <li>• Mgt has <b>fulfilled responsibility</b> for <b>FS</b> preparation <b>as per AFRF</b> &amp; has <b>provided</b> practitioner with <b>all info</b> as per terms &amp;</li> <li>• <b>All transactions</b> are recorded in <b>FS</b></li> </ul> <p>If <b>L&amp;R</b> requires Mgt to make <b>written public statements</b> of responsibilities &amp; such statements provide <b>WR required above</b>, matters covered by such statements need <b>not be included in WR</b></p> <p>Practitioner shall also <b>request Mgt's WR</b> that Mgt has <b>disclosed to him</b> -</p> <ul style="list-style-type: none"> <li>• Significant facts of <b>frauds or suspected frauds</b> known to Mgt</li> <li>• Known <b>non-compliance</b> with <b>L&amp;R</b></li> <li>• <b>Identity of RP</b> &amp; all RP relationships &amp; transactions of which Mgt is aware</li> <li>• All <b>subsequent events</b> requiring adjustment or disclosure, are <b>adjusted or disclosed</b></li> <li>• All <b>info</b> to use of <b>GC assumption</b> in FS</li> <li>• <b>Material commitments</b> or contingencies affecting FS</li> <li>• <b>Material non-monetary</b> transactions</li> </ul> <p>If Mgt <b>not provides WR</b>, practitioner shall -</p> <ul style="list-style-type: none"> <li>• <b>Discuss</b> with <b>Mgt</b> &amp; <b>TCWG</b></li> <li>• <b>Re-evaluate integrity</b> of Mgt &amp; effect on <b>reliability of WR</b> &amp; evidence</li> <li>• Take appropriate <b>actions</b> &amp; effect on <b>conclusion</b> in report</li> </ul> <p>Practitioner shall <b>disclaim conclusion</b> on FS, or <b>withdraw</b>, if possible under L&amp;R, <b>if</b> -</p> <ul style="list-style-type: none"> <li>• There is sufficient <b>doubt about integrity</b> of Mgt such that <b>WR</b> are <b>not reliable</b> or</li> <li>• Mgt <b>not provides WR</b> for its <b>responsibilities</b></li> </ul>	<p><b>Unmodified Conclusion</b> - When practitioner has obtained <b>limited assurance</b> to conclude that <b>"nothing has come to his attention</b> to believe that <b>FS are not prepared</b> (compliance framework)/do <b>not give a true &amp; fair view</b> (fair presentation framework), in all material respects, <b>as per AFRF"</b></p> <p><b>When practitioner modifies conclusion, he shall</b></p> <ul style="list-style-type: none"> <li>• Use <b>heading</b> "Qualified Conclusion," "Adverse Conclusion" or "Disclaimer of Conclusion"</li> <li>• Provide <b>description of matter</b>, under heading <b>"Basis for Conclusion"</b> immediately <b>before conclusion</b> para</li> </ul> <p>When expressing <b>qualified conclusion</b>, use -  <b>"Based on our review, except for effects/possible effects</b> of matter described in Basis for Qualified Conclusion para... (same as unmodified conclusion para)</p> <p>When expressing <b>adverse conclusion</b>, use -  <b>"Based on our review, due to significance of matter</b> described in Basis for Adverse Conclusion para, FS do not give true &amp; fair view/ are not prepared, in all material respects, <b>as per AFRF"</b></p> <p><b>In Basis for Qualified/Adverse conclusion para</b></p> <ul style="list-style-type: none"> <li>• <b>Describe &amp; quantify financial effects</b> of MM. If impracticable, he shall so state</li> <li>• Explain <b>how disclosures are misstated</b> if MM relates to disclosures or</li> <li>• Describe <b>nature of omitted info</b> if MM relates to <b>non-disclosure</b> of info. Unless prohibited by L&amp;R, he shall <b>include omitted disclosures</b>, if practicable</li> </ul>
<p><b>Inability to obtain SAAE</b> - Practitioner shall</p> <ul style="list-style-type: none"> <li>• Express <b>qualified conclusion</b> if possible <b>effects</b> of undetected <b>misstatements</b> could be <b>material but not pervasive</b> or</li> <li>• <b>Disclaim conclusion</b> if possible effects of undetected misstatements could be <b>both material &amp; pervasive</b></li> </ul>	<p><b>Elements in Practitioner's Report</b></p> <ul style="list-style-type: none"> <li>• <b>Title</b> indicating independent practitioner</li> <li>• <b>Addressee</b>, as per circumstances</li> <li>• <b>Introductory para</b> that -             <ul style="list-style-type: none"> <li>○ <b>Identifies FS</b>, including title of each statement &amp; <b>date &amp; period</b> of FS</li> <li>○ Refers to significant <b>a/cing policies</b></li> <li>○ States that <b>FS</b> have been <b>reviewed</b></li> </ul> </li> <li>• Description of <b>Mgt's responsibility</b> for -             <ul style="list-style-type: none"> <li>○ <b>FS</b> preparation as per <b>AFRF</b></li> </ul> </li> </ul>



<p><b>Practitioner shall withdraw, when</b></p> <ul style="list-style-type: none"> <li>• Due to <b>limitation on scope</b> imposed by Mgt <b>after accepting</b> engagement, he is <b>unable to obtain SAAE</b> to form conclusion &amp;</li> <li>• Possible <b>effects</b> of undetected <b>misstatements</b> are <b>material &amp; pervasive</b> &amp;</li> <li>• <b>Withdrawal is possible</b> under L&amp;R</li> </ul> <p><b>When disclaiming conclusion, practitioner shall state in conclusion para that</b></p> <ul style="list-style-type: none"> <li>• Due to <b>significance of matter</b> described in Basis for Disclaimer of Conclusion para, he is <b>unable to obtain SAAE</b> to form conclusion &amp;</li> <li>• He does <b>not express conclusion</b> on FS</li> <li>• He shall <b>also include reason for inability</b> to obtain SAAE, whenever there is inability</li> </ul> <p><b>Documentation</b></p> <p>Practitioner shall document following, <b>sufficient</b> to enable <b>experienced practitioner</b>, having <b>no previous connection</b> with engagement, to <b>understand</b> -</p> <ul style="list-style-type: none"> <li>• <b>NTE of procedures</b> performed to comply with this <b>SRE &amp; L&amp;R</b> -             <ul style="list-style-type: none"> <li>○ <b>Who performed work &amp; date</b> completed</li> <li>○ <b>Who reviewed</b> work performed for <b>QC &amp; period &amp; extent</b> of review</li> </ul> </li> <li>• <b>Results from procedures</b> &amp; practitioner's conclusions on basis of results</li> <li>• <b>Significant matters</b> aroused -             <ul style="list-style-type: none"> <li>○ <b>Discussions with Mgt &amp; TCWG</b></li> <li>○ If practitioner identified <b>info</b> that is <b>inconsistent</b> with his <b>findings</b>, document <b>how</b> inconsistency was <b>addressed</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ Such <b>IC as necessary</b> for FS free from <b>MM</b></li> <li>• If FS are <b>Special Purpose FS</b> -             <ul style="list-style-type: none"> <li>○ Description of <b>purpose</b> of FS &amp; <b>users</b> or <b>reference to note</b> that contains that info</li> <li>○ If <b>Mgt</b> has <b>multiple FRF</b>, its <b>responsibility</b> to determine <b>AFRF is acceptable</b></li> </ul> </li> <li>• Description of <b>practitioner's responsibility</b> to express conclusion</li> <li>• Description of <b>review of FS</b> &amp; following -             <ul style="list-style-type: none"> <li>○ Practitioner performs <b>procedures</b>, primarily consisting of <b>Inquiries &amp; AP</b></li> <li>○ <b>Procedures</b> in review are <b>substantially less than</b> those in <b>audit</b> &amp; practitioner does <b>not express audit opinion</b> on FS</li> <li>○ <b>Review</b> is <b>limited assurance</b> engagement</li> </ul> </li> <li>• Para under <b>heading "Conclusion"</b> containing -             <ul style="list-style-type: none"> <li>○ Practitioner's <b>conclusion</b> on FS &amp;</li> <li>○ Reference to <b>AFRF used</b></li> </ul> </li> <li>• When conclusion is <b>modified</b> -             <ul style="list-style-type: none"> <li>○ Para containing <b>modified conclusion</b></li> <li>○ Para providing <b>description of matter</b></li> </ul> </li> <li>• Reference to <b>practitioner's obligation</b> to comply with <b>ethical</b> requirements</li> <li>• <b>Date of report</b> - <b>No earlier than</b> date on which <b>SAAE is obtained</b>, including that -             <ul style="list-style-type: none"> <li>○ FS are <b>prepared</b></li> <li>○ Those with <b>authority</b> have taken <b>responsibility</b> for FS</li> </ul> </li> <li>• Practitioner's <b>signature</b></li> <li>• <b>Place</b> of signature</li> </ul>
<p><b>EOM &amp; OM Paras in Report</b></p> <ul style="list-style-type: none"> <li>• Include <b>EOM</b> Para when he has <b>obtained SAAE</b> that matter is <b>not MM</b> in FS. EOM Para shall be included <b>immediately after</b> Para containing <b>conclusion</b> under heading "EOM"</li> <li>• Include <b>OM Para</b> if <b>not prohibited</b> by L&amp;R</li> </ul>	<p><b>Other Reporting Responsibilities</b></p> <p>Addressed in separate section headed "<b>Report on Other L&amp;R Requirements</b>"</p>

<p><b>Understanding Entity &amp; its IC</b></p> <p>Procedures performed by auditor to <b>update understanding</b> of entity &amp; its IC include -</p> <ul style="list-style-type: none"> <li>• <b>Inquiring</b> of Mgt of <b>process</b> by which <b>interim financial</b> info has been <b>prepared</b></li> <li>• <b>Inquiring</b> of Mgt about <b>effect of changes</b> in entity's <b>business</b> activities</li> <li>• <b>Inquiring</b> about any significant <b>changes in IC</b></li> <li>• <b>Inquiring</b> about <b>results</b> of <b>Mgt's assessment</b> of <b>risk</b> of MM as result of <b>fraud</b></li> <li>• Considering nature of any <b>corrected/ uncorrected</b> MMs in <b>prior year's FS</b></li> <li>• Considering <b>materiality</b> for interim financial info to determine <b>NTE</b> of <b>procedures</b> &amp; evaluating <b>effect of misstatements</b></li> <li>• <b>Reading documentation</b> of preceding year's audit &amp; reviews to identify <b>matters</b> that may <b>affect current-period</b> interim financial info</li> <li>• Considering any <b>significant risks</b> that were <b>identified</b> in audit of <b>prior year's FS</b></li> <li>• <b>Reading most recent annual</b> &amp; comparable prior period <b>interim financial info</b></li> <li>• Considering significant <b>a/cing &amp; reporting</b> matters that are of <b>continuing significance</b></li> <li>• Considering <b>results</b> of any audit <b>procedures</b> performed for <b>current year's FS</b></li> <li>• Considering <b>results</b> of any <b>internal audit</b> performed &amp; <b>subsequent actions</b> taken by Mgt</li> <li>• <b>Recently appointed auditor</b>, who has not yet performed audit of annual FS, shall obtain <b>understanding of entity</b> for preparation of <b>both annual &amp; interim</b> financial info</li> </ul>	<p><b>Inquiries, Analytical &amp; other Review procedures</b></p> <p>Auditor performs following procedures -</p> <ul style="list-style-type: none"> <li>• <b>Read minutes of meetings</b> to identify matters affecting interim financial info</li> <li>• Consider effect of <b>matters giving rise to modification</b> of audit or review report</li> <li>• <b>Communicate</b> with other <b>component auditors</b></li> <li>• <b>Inquiring</b> Mgt about following -             <ul style="list-style-type: none"> <li>○ If interim info is prepared <b>as per AFRF</b></li> <li>○ If there are new <b>accounting principle</b></li> <li>○ If there are <b>changes in a/c principles</b></li> <li>○ If there is any <b>uncorrected misstatements</b></li> <li>○ <b>Unusual situations</b> affecting interim info</li> <li>○ <b>Significant assumptions</b> &amp; Mgt's <b>intention</b></li> <li>○ If <b>RP</b> are appropriately <b>disclosed</b></li> <li>○ Significant <b>changes in commitments</b></li> <li>○ Significant changes in <b>contingent liabilities</b></li> <li>○ <b>Compliance</b> with debt <b>covenants</b></li> <li>○ <b>Matters questioned</b> in review procedures</li> <li>○ Significant <b>transactions</b> in <b>last days</b> of interim period <b>or first days</b> of next period</li> <li>○ Knowledge of any <b>fraud or suspected fraud</b> having material effect on interim info</li> <li>○ Knowledge of any <b>allegations of fraud</b></li> <li>○ Knowledge of <b>non-compliance with L&amp;R</b></li> </ul> </li> <li>• <b>AP</b> to identify <b>unusual relationships</b> reflecting MM in interim financial info</li> </ul> <p><b>Subsequent Events, WR &amp; GC same as SRE 2400</b></p>
<p><b>Direct communication with entity's lawyer</b></p> <ul style="list-style-type: none"> <li>• It is <b>appropriate</b> if matter causes auditor to <b>question</b> if interim info is <b>not prepared</b>, in all material respects, <b>as per AFRF</b>, &amp;</li> <li>• He believes entity's <b>lawyer</b> may have <b>info</b></li> </ul>	<p><b>Evaluation of Misstatements</b></p> <ul style="list-style-type: none"> <li>• Auditor evaluates, individually/in aggregate, if <b>uncorrected</b> misstatements are <b>material</b> &amp; if <b>material adjustment</b> is <b>required</b> in interim financial info</li> </ul>
<p><b>Auditor's Responsibility for Accompanying Info</b></p> <ul style="list-style-type: none"> <li>• <b>Read</b> other info to consider if it is <b>materially inconsistent</b> with <b>interim</b> financial info</li> <li>• If materially <b>inconsistent</b>, consider if interim financial info/other info <b>needs to be amended</b></li> </ul>	<p><b>Communication with Mgt &amp; TCWG</b></p> <ul style="list-style-type: none"> <li>• When <b>material adjustment</b> in interim info is <b>necessary</b>, auditor shall <b>communicate</b> this matter <b>as soon as practicable</b> to <b>Mgt</b></li> </ul>

<ul style="list-style-type: none"> <li>• If <b>amendment</b> is necessary in <b>interim</b> info &amp; <b>Mgt refuses</b>, consider <b>implications</b> for report</li> <li>• If <b>amendment</b> is necessary in <b>other</b> info &amp; <b>Mgt refuses</b>, either <b>describe inconsistency</b> in report, or <b>withholding issuance</b> of report or <b>withdrawing</b></li> <li>• If other info include <b>MM of fact</b>, discuss with <b>Mgt</b> to consider if <b>valid diff of judgment</b> exists &amp; whether to request Mgt to <b>consult</b> with qualified <b>3rd party for resolution</b></li> <li>• If <b>Mgt refuses</b> to <b>correct MM</b> of fact, <b>notify TCWG</b> &amp; obtain <b>legal advice</b></li> </ul>	<ul style="list-style-type: none"> <li>• If Mgt does <b>not respond</b> within <b>reasonable period</b>, inform <b>TCWG</b>, as soon as practicable, either <b>orally or in writing</b>, depending on <b>nature, sensitivity, significance &amp; timing</b> of matter. If communicated <b>orally</b>, auditor <b>documents</b> communication</li> <li>• If <b>TCWG</b> do <b>not respond</b> within <b>reasonable period</b>, auditor should consider -             <ul style="list-style-type: none"> <li>○ Whether to <b>modify report</b> or</li> <li>○ <b>Withdrawing</b> from audit of <b>Interim FS</b></li> <li>○ <b>Withdrawing</b> from audit of <b>annual FS</b></li> </ul> </li> <li>• During existence of <b>fraud or non-compliance</b> with L&amp;R, auditor shall communicate <b>as soon as practicable to Mgt</b> &amp; consider <b>need</b> to report to <b>TCWG</b> &amp; <b>implication</b> for review</li> </ul>
<p><b>Elements of Reporting</b></p> <ul style="list-style-type: none"> <li>• Appropriate <b>Title</b></li> <li>• <b>Addressee</b></li> <li>• <b>Identification</b> of interim info &amp; <b>title</b> of each statements &amp; <b>date &amp; period</b></li> <li>• In case of <b>Complete Set of general-purpose FS</b>, statement that <b>Mgt is responsible</b> for preparation of interim info as per AFRF</li> <li>• In <b>other</b> cases, statement that <b>Mgt is responsible</b> for interim info <b>as per AFRF</b></li> <li>• Statement that <b>auditor is responsible</b> for expressing <b>conclusion</b> on interim info</li> <li>• Statement that review was conducted <b>as per SRE 2410</b></li> <li>• Statement that review is <b>substantially less in scope than audit</b></li> <li>• In case of <b>complete set</b> of FS to achieve <b>fair presentation</b>, whether interim info does <b>not give true &amp; fair view</b>, in all material respects, as per AFRF</li> <li>• In <b>other cases</b>, whether interim <b>info is not prepared</b>, in all material respect, <b>as per AFRF</b></li> <li>• <b>Date</b> of report</li> <li>• <b>Place</b> of Signature</li> <li>• <b>Signature</b> &amp; membership number</li> <li>• Firm's <b>registration</b> number</li> <li>• <b>UDIN for Both</b> SRE 2400 &amp; SRE 2410</li> </ul>	<p><b>Departure from AFRF</b></p> <ul style="list-style-type: none"> <li>• If <b>material adjustment</b> is required in interim info for it be <b>prepared as per AFRF</b> - Auditor should <b>express qualified / adverse</b> conclusion</li> <li>• If interim info is <b>materially affected by departure</b> from AFRF &amp; Mgt <b>don't correct</b>, auditor <b>modifies review</b> report. Modification <b>describes nature</b> of departure &amp; <b>effects</b> on interim info</li> <li>• If info necessary for <b>adequate disclosure is not</b> included in interim info, auditor <b>modifies report</b> &amp; if practicable, <b>includes necessary info</b> in report. Modification to report is accomplished <b>by adding explanatory para</b> to report &amp; <b>qualifying</b> conclusion</li> <li>• When effect of <b>departure</b> is so <b>material &amp; pervasive</b> to interim financial info that <b>qualified</b> conclusion is <b>not adequate</b> to <b>disclose</b> misleading nature of interim financial info, auditor <b>expresses adverse</b> conclusion</li> </ul> <p><b>Documentation</b></p> <ul style="list-style-type: none"> <li>• Should be <b>sufficient &amp; appropriate</b> to provide <b>basis</b> for auditor's <b>conclusion</b></li> <li>• To provide evidence that <b>review was performed</b> as per this <b>SRE</b> &amp; applicable <b>L&amp;R</b> requirement</li> </ul>

**Limitation on Scope**

When auditor is **unable to complete review**, he should **communicate**, in **writing**, to **Mgt & TCWG**, **reason** why review cannot be completed & consider if it is **appropriate to issue report**

**Limitation on Scope Imposed by Mgt**

- Auditor **does not accept** engagement if auditor would be **unable to complete review** because of limitation on scope **imposed by Mgt**
- If, **after accepting** engagement, Mgt imposes **limitation on scope**, auditor **requests** its removal. If **Mgt refuses** & auditor is unable to complete review & express conclusion, He **communicates**, in **writing**, to **Mgt & TCWG**, **reason** why review cannot be completed
- If **L&R requires** auditor to **issue report**, He shall **disclaim conclusion** & provide in report **reason** why review **cannot be completed**

**Other Limitations on Scope**

- There may be some **rare circumstances** where **limitation** on scope is clearly **confined to one** or more specific matters that, while **material**, are **not pervasive** to interim info. In such cases, auditor **modifies report** by indicating that, except for **matter described in explanatory para**, review was conducted as per **this SRE** & by **qualifying** conclusion
- If auditor expressed **qualified** opinion on **latest annual FS** because of **limitation** on scope of that audit, He shall consider **if** that **limitation** on scope **still exists** &, if so, **implications for report**

**Going Concern & Significant Uncertainties**

- If **material uncertainty exists** & adequate **disclosure is made** in interim info, auditor **modifies** report by adding **EOM Para**
- If auditor had **modified prior audit or review** report by adding **EOM Para** to highlight **material uncertainty** & If material uncertainty **still exists** & adequate **disclosure is made** in interim info, auditor **modifies current period** report by **adding para** to highlight **continued** material uncertainty
- If material uncertainty is **not adequately disclosed** in interim info, auditor shall **express qualified or adverse** conclusion & **include reference** to such material uncertainty

**Other Considerations**

- If Mgt has **not included review report** in doc containing interim info, auditor seeks **legal advice** to determine course of **action**
- If in **above case**, report is **modified**, Auditor may also **resign** from audit of **Annual FS**
- **Condensed Set** of Interim info does **not include** all **info** as in **complete set**, but presents **significant events & changes** since annual reporting date, as it is **presumed** that **users** of interim info have **access to latest audited FS**. Eg listed entities
- In **other cases**, interim info include **statement** that it is to be **read with latest audited FS**. In its **absence**, auditor considers whether interim info is **misleading** & **implications** for **report**

**SAE 3400 - Examination of Prospective Financial Info (PFI)**

<ul style="list-style-type: none"> <li>• <b>Level of assurance</b> provided by SAE is <b>moderate</b></li> <li>• SAE 3400 <b>need not</b> be performed by <b>statutory auditor</b> of FS</li> </ul> <p>"PFI" is financial info based on -</p> <ul style="list-style-type: none"> <li>• <b>Assumption</b> for <b>event</b> that may occur in future</li> <li>• <b>Possible actions</b> by entity</li> </ul> <p>It is <b>highly subjective</b> in nature &amp; requires <b>judgment</b>. It can be in <b>form of</b> -</p> <ul style="list-style-type: none"> <li>• <b>Forecast</b> - PFI prepared on basis of -             <ul style="list-style-type: none"> <li>○ <b>Assumptions</b> for future events which Mgt <b>expects to take place</b> &amp;</li> <li>○ <b>Actions</b> Mgt expects to <b>take</b></li> </ul> </li> <li>• <b>Projection</b> - PFI prepared on basis of -             <ul style="list-style-type: none"> <li>○ <b>Hypothetical assumption</b> for future events &amp; Mgt <b>actions</b> which are <b>not</b> necessarily <b>expected to take place</b></li> </ul> </li> <li>• Or <b>combination</b> of both</li> </ul> <p><b>Scope of SAE-3400</b></p> <ul style="list-style-type: none"> <li>• This SAE does <b>not apply</b> to examination of PFI in <b>general/narrative terms</b>. Eg. Mgt's discussion &amp; analysis in annual report.</li> <li>• <b>Other SAs</b> are also <b>applicable</b></li> </ul>	<p><b>Nature of Assurance for PFI</b></p> <p><b>Opinion</b> as to whether results in <b>PFI</b> will be <b>achieved cannot be expressed</b></p> <p><b>Mgt's Responsibility for Preparation &amp; Presentation of PFI</b></p> <ul style="list-style-type: none"> <li>• Underlying <b>assumptions</b></li> <li>• Explaining <b>basis of forecast</b></li> <li>• <b>Identification</b> &amp; Disclosure of <b>PFI</b></li> </ul> <p><b>Can Professional Accountants be associated with PFI?</b></p> <ul style="list-style-type: none"> <li>• CA <b>can participate</b> in preparation of forecasts/ projections &amp; <b>can review</b> them, provided he <b>indicates</b> clearly in his report <b>sources</b> of info, <b>basis</b> of forecasts/projections &amp; <b>major assumptions</b> made &amp;</li> <li>• He <b>does not vouch for accuracy of forecasts</b> (vs Prof Ethics Clause)</li> </ul> <p><b>Documentation</b></p> <ul style="list-style-type: none"> <li>• Matters providing <b>evidence to support report</b> on examination of PFI &amp;</li> <li>• Evidence that such <b>examination</b> was <b>carried out as per this SAE</b></li> </ul>
<p><b>Duties of Member Examining PFI</b></p> <p>Auditor shall obtain SAAE if -</p> <ul style="list-style-type: none"> <li>• Mgt's <b>best-estimate</b> assumptions are <b>not unreasonable</b> &amp; <b>hypothetical</b> assumptions are <b>consistent with purpose</b> of info</li> <li>• <b>PFI</b> is properly <b>prepared</b> on basis of <b>assumptions</b></li> <li>• <b>PFI</b> is prepared on <b>consistent</b> basis with <b>historical FS</b> using appropriate <b>a/cing policies</b></li> <li>• <b>PFI</b> is properly <b>presented</b> &amp; all material <b>assumptions</b> are adequately <b>disclosed</b>, indicating if best-estimate or hypothetical</li> </ul>	<p><b>Precautions Before Accepting Engagement</b></p> <p>Auditor would consider -</p> <ul style="list-style-type: none"> <li>• <b>Nature of assumptions</b> - best estimates or hypothetical</li> <li>• <b>Elements</b> to be <b>included</b> in info &amp;</li> <li>• <b>Period covered</b> by info</li> <li>• <b>Intended use</b> of info</li> <li>• Whether info will be for <b>general or limited distribution</b></li> </ul> <p>Auditor should <b>not accept</b>, or <b>withdraw</b> from, engagement when <b>assumptions</b> are <b>unrealistic</b> or when <b>PFI</b> will be <b>inappropriate</b> for its intended <b>use</b>. <b>Terms</b> should be <b>agreed</b> with client by sending <b>engagement letter</b></p>

<p><b>Determining NTE of Examination Procedures</b></p> <p>Following factors to be considered -</p> <ul style="list-style-type: none"> <li>• <b>Sources</b> of info, <b>adequacy, reliability</b> of underlying data</li> <li>• Extent of Mgt's <b>Judgment affecting PFI</b></li> <li>• Likelihood of <b>MM</b></li> <li>• <b>Mgt's competence</b> for preparation of PFI</li> <li>• <b>Stability</b> of entity's <b>business</b></li> <li>• Engagement <b>team's experience</b> of <b>business, industry &amp; PFI</b></li> <li>• <b>Knowledge</b> obtained during <b>previous</b> engagements</li> </ul>	<p><b>Presentation &amp; Disclosure - consider whether</b></p> <ul style="list-style-type: none"> <li>• <b>Presentation</b> is <b>informative</b> &amp; not misleading</li> <li>• <b>Assumptions</b> are adequately <b>disclosed</b>, &amp; if best-estimate or hypothetical</li> <li>• <b>Basis</b> of establishing points in <b>range</b> is clearly indicated &amp; range is <b>not selected in biased or misleading</b> manner</li> <li>• <b>Date</b> as of which <b>PFI</b> is prepared &amp; Mgt confirm that <b>assumptions</b> are <b>appropriate</b> as of this date</li> <li>• <b>A/cing policies</b> are clearly <b>disclosed</b></li> <li>• If there is <b>change in a/cing policy</b> from most recent historical FS, whether <b>reason &amp; effect</b> of change on PFI is adequately <b>disclosed</b></li> </ul>	
<p><b>Report on Examination of PFI</b></p> <ul style="list-style-type: none"> <li>• Title</li> <li>• Addressee</li> <li>• <b>Identification</b> of PFI</li> <li>• Reference to <b>SAs</b> applicable</li> <li>• Statement that <b>Mgt is responsible</b> for PFI &amp; assumptions</li> <li>• Reference to <b>purpose &amp; restricted distribution</b> of PFI</li> <li>• Statement that <b>examination procedures</b> included <b>evidence supporting assumptions, amounts &amp; disclosures</b> in forecast/ projection</li> <li>• Statement of <b>negative assurance</b> if <b>assumptions</b> provide <b>reasonable basis</b> for PFI</li> <li>• <b>Opinion</b> if <b>PFI</b> is properly <b>prepared</b> on <b>basis</b> of <b>assumptions</b> &amp; as per <b>AFRF</b></li> <li>• <b>Appropriate caveats</b> for achievability of results of PFI</li> <li>• <b>Date</b> of report (when <b>procedures</b> are <b>completed</b>)</li> <li>• <b>Place</b> of signature &amp;</li> <li>• <b>Signature</b></li> </ul>	<p><b>Such a report would</b></p> <ul style="list-style-type: none"> <li>• State whether <b>anything</b> has come to <b>attention</b> that <b>assumptions do not</b> provide <b>reasonable basis</b> for PFI</li> <li>• <b>Express opinion</b> as if <b>PFI</b> is properly <b>prepared</b> on basis of <b>assumptions</b> &amp; as per <b>AFRF</b></li> <li>• <b>State</b> that -             <ul style="list-style-type: none"> <li>○ <b>Actual results</b> are likely to be <b>diff from PFI</b> &amp; variation could be material</li> <li>○ If expressed as <b>range</b> there is <b>no assurance</b> that <b>actual results</b> will fall <b>within range</b></li> <li>○ In case of <b>projection, PFI</b> has been <b>prepared</b> for (<b>intended use</b>), using hypothetical assumptions &amp; hence, readers are cautioned that <b>PFI should not be used for other purposes</b></li> </ul> </li> </ul>	
<p>When <b>presentation &amp; disclosure</b> of PFI is <b>not adequate, qualified or adverse</b> opinion should be expressed <b>or withdrawal</b> should be made</p>	<p>When <b>significant assumptions</b> do <b>not</b> provide <b>reasonable</b> basis for PFI, <b>adverse</b> opinion with <b>reasons</b> should be expressed, <b>or withdrawal</b> should be made</p>	<p>When <b>examination</b> is affected by conditions that <b>preclude</b> application of <b>necessary procedures, withdrawal or disclaimer</b> of opinion &amp; describing <b>scope limitation</b> in report is considered</p>

**SAE 3402 - Assurance Reports on Controls at Service Org (SO)**

Type 1 Report comprises	Type 2 Report comprises (additionally)
i. Report on <b>description &amp; design</b> of controls at SO	<b>Operating effectiveness</b>
ii. <b>Written</b> assertion by <b>SO</b> that, in all material respects, & based on <b>suitable criteria</b> - <ul style="list-style-type: none"> <li>a. <b>Description fairly presents</b> SO's system as designed &amp; implemented at specified date</li> <li>b. <b>Controls</b> for control objectives in SO's description of its system were <b>suitably designed</b> as at specified date</li> </ul>	a. & b. throughout specified period c. <b>Controls</b> in SO's system description <b>operated effectively</b> throughout specified period
SAU's <b>assurance report</b> that conveys <b>reasonable assurance</b> about matters referred to in (ii)	Includes description of <b>TOC</b> & its <b>results</b>

**Scope of SAE 3402**

It apply **only when** SO is responsible for **design of controls** & does **not** deal with assurance engagement -

- To report **only** on whether **controls operated** as described or
- To report **only** on controls **other than** those **relevant** to user entities' IC for FR

Performing Engagement	Elements of Reporting
<ul style="list-style-type: none"> <li>• <b>Compliance with ethical requirements</b> - including independence</li> <li>• <b>Determination of Mgt &amp; TCWG &amp; communication with them</b> - SAU shall determine appropriate persons within SO</li> <li>• <b>Acceptance &amp; change in term of engagement</b> <b>Before</b>, accepting engagement, SAU has to <b>ensure</b> that -                             <ul style="list-style-type: none"> <li>○ He has necessary <b>capabilities &amp; competence</b></li> <li>○ <b>Criteria</b> will be <b>suitable &amp; available</b> to user entities &amp; their auditors</li> <li>○ <b>Scope</b> of Engagement &amp; SO's <b>description</b> will <b>not</b> be so <b>limited</b> that they are <b>unlikely</b> to be <b>useful</b> to user entities &amp; auditors</li> <li>○ If SO requests <b>change</b> in terms <b>before completion</b>, he shall be satisfied that there is <b>reasonable justification</b> for change</li> </ul> </li> <li>• <b>Assessing Suitability of Criteria</b> - Criteria should be suitable in <b>evaluating</b> if controls are <b>suitably designed</b> &amp; for <b>type 2</b> reports, if controls are <b>operating effectively</b></li> <li>• <b>Determination of Materiality</b> - SAU shall consider materiality for fair <b>presentation of description, suitability of design</b> of controls &amp; for <b>type 2</b> report, <b>operating effectiveness</b></li> <li>• <b>Obtaining understanding of SO's system</b> - including <b>controls</b> in scope of engagement</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Title</b> - Independent SAU's report</li> <li>• <b>Addressee</b></li> <li>• <b>Identification of</b> <ul style="list-style-type: none"> <li>○ SO's system <b>description &amp; assertion</b>, including type 1 or type 2 report</li> <li>○ If description refers <b>complementary user entity controls</b> (tested by user auditor), statement that SAU has <b>not evaluated</b> suitability of design or operating effectiveness of them &amp; that control <b>objectives</b> in system description can be <b>achieved only</b> if they are suitably designed or operating effectively</li> <li>○ Those <b>parts</b> of SO's system description that are <b>not covered by SAU's opinion</b></li> <li>○ If Services are performed by <b>Sub-SO</b>, <b>nature of activities</b> performed by Sub-SO</li> </ul> </li> <li>• Statement that report &amp; for type 2 report, <b>description of TOCs</b> are only for user entities &amp; their auditors</li> <li>• Identification of <b>criteria &amp; party</b> specifying control <b>objectives</b></li> <li>• <b>Statement that SO is responsible for</b> <ul style="list-style-type: none"> <li>○ <b>Providing Services</b> covered by description</li> <li>○ <b>Designing &amp; implementing</b> controls to achieve control objectives</li> <li>○ <b>Preparing</b> system <b>description</b> &amp; assertions, including completeness, accuracy &amp; method of presentation</li> </ul> </li> </ul>

<ul style="list-style-type: none"> <li>• <b>Obtaining evidence for description</b> - SAU shall obtain &amp; <b>read</b> SO's <b>system description</b> &amp; evaluate if they are <b>fairly presented</b></li> <li>• <b>Obtaining evidence for design of controls</b> - SAU shall determine <b>which controls</b> at SO are <b>necessary</b> to achieve control <b>objectives</b> &amp; shall assess if they are <b>suitably designed</b></li> <li>• <b>Obtaining evidence for operating effectiveness</b> - For <b>type 2</b> report, SAU shall <b>test controls</b> &amp; assess their <b>operating effectiveness</b> throughout period</li> <li>• <b>Understanding IAF</b> - SAU shall obtain <b>understanding</b> of <b>responsibilities</b> of IAF &amp; <b>activities</b> performed to determine if SAU can <b>use</b> specific <b>work</b> of IAs</li> <li>• <b>Asking for WR from Responsible Party</b> <ul style="list-style-type: none"> <li>○ That <b>reaffirm assertion</b> of description</li> <li>○ That it has <b>provided</b> SAU with <b>all info</b></li> <li>○ That it has <b>disclosed to SAU</b> following, of which it is <b>aware</b> - <ul style="list-style-type: none"> <li>▪ <b>Design deficiencies</b> in controls</li> <li>▪ Instances where <b>controls</b> have <b>not operated</b> as described</li> <li>▪ <b>Fraud, Non-compliance</b> with L&amp;R or <b>uncorrected deviations</b></li> <li>▪ Any <b>events subsequent</b> to period of SO's description up to date of SAU's report having significant effect on SAU's report (<b>Subsequent Events</b>)</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Stating control objectives</b></li> <li>• Statement that <b>SAU's responsibility</b> is to express <b>opinion</b> on SO's <b>description, design</b> of controls &amp; for type 2 report, on <b>operating effectiveness</b> of controls</li> <li>• Statement that engagement was <b>performed as per SAE 3402</b> which requires SAU to comply with <b>ethical</b> requirements &amp; <b>achieve objectives</b> of this SAE</li> <li>• <b>Summary</b> of SAU's <b>procedures</b> &amp; statement that <b>SAAE</b> is obtained &amp;, for <b>type 1</b> report, SAU has <b>not</b> performed <b>procedures</b> for <b>operating effectiveness</b> &amp; therefore <b>no opinion</b> is expressed</li> <li>• Statement of <b>limitations of controls</b> &amp; for type 2 report, <b>risk</b> of <b>projecting</b> evaluation of operating effectiveness to <b>future periods</b></li> <li>• SAU's <b>opinion, positive form</b>, on whether, in all material respects, based on <b>suitable criteria</b> - <b>Same as Objectives</b></li> <li>• <b>Date of SAU's report</b> - <b>not earlier</b> than date of obtaining <b>SAAE</b></li> <li>• <b>Signature</b> by practitioner</li> <li>• <b>Place</b> of signature - <b>City</b></li> </ul>
<p><b>Additional reporting in Type 2 report</b></p> <ul style="list-style-type: none"> <li>• <b>Separate section</b> after opinion that describes <b>TOCs</b> performed &amp; their <b>results</b></li> <li>• State <b>which controls</b> were tested, identify if items tested represent <b>all or samples</b> in population &amp; indicate <b>nature of tests</b></li> <li>• If <b>deviations</b> are identified, include <b>extent of testing</b> performed (sample size) &amp; <b>number &amp; nature</b> of deviations</li> <li>• <b>Report deviations</b> even if control <b>objective</b> was <b>achieved</b> (minor deviations)</li> </ul>	<p><b>Modified Opinion - If -</b></p> <ul style="list-style-type: none"> <li>• SO's <b>description</b> does <b>not fairly present</b> system</li> <li>• <b>Controls</b> for control objectives are <b>not suitably designed</b></li> <li>• For <b>Type 2</b> report, controls tested did <b>not operate effectively</b> or</li> <li>• SAU is <b>unable</b> to obtain <b>SAAE</b></li> <li>• Report shall contain <b>description of all reasons</b> for modification</li> </ul>
<p><b>Documentation (Same as SRE 2400)</b>  <b>Sufficient</b> for experienced SAU, having <b>no previous connection</b> with engagement, to <b>understand</b> -</p> <ol style="list-style-type: none"> <li>(a) <b>NTE of procedures</b> to comply with SAE &amp; L&amp;R</li> <li>(b) <b>Results of procedures</b> &amp; evidence obtained</li> <li>(c) <b>Significant matters</b> aroused, conclusions reached &amp; judgments made</li> </ol>	



**SAE 3420 - Assurance Engagements to Report on Compilation of Pro Forma Financial Info (PFFI) Included in Prospectus**

<ul style="list-style-type: none"> <li>• SAE 3420 <b>applies</b> where such reporting is required by <b>securities exchange</b> or if it is <b>generally accepted practice</b> in jurisdiction where prospectus is issued</li> <li>• <b>Purpose</b> of PFFI is solely to <b>demonstrate impact</b> of <b>transaction</b> on unadjusted financial info as if they had <b>occurred at earlier date</b>. It does <b>not</b> represent <b>actual</b> financial info</li> </ul>	<p><b>Compilation Steps of PFFI</b></p> <ul style="list-style-type: none"> <li>• <b>Identifying source</b></li> <li>• <b>Extracting</b> unadjusted financial info from that source</li> <li>• Making <b>pro forma adjustments</b> to unadjusted financial info &amp;</li> <li>• <b>Presenting PFFI</b> with disclosures</li> </ul>
<p><b>Engagement Acceptance</b></p> <ul style="list-style-type: none"> <li>• Determine if practitioner has <b>capabilities &amp; competence</b> to perform engagement</li> <li>• <b>Evaluate</b> wording of <b>opinion</b> prescribed by <b>L&amp;R</b> to determine if practitioner will <b>express</b> such opinion <b>based on</b> performing <b>procedures</b></li> <li>• On basis of preliminary knowledge &amp; discussion, determine if <b>criteria is suitable</b> &amp; it is <b>unlikely</b> that <b>PFFI</b> will be <b>misleading</b></li> <li>• Where <b>sources</b> has <b>modified</b> audit opinion or review conclusion or <b>EOM</b> para, consider if <b>L&amp;R permits use/reference</b> in <b>report</b> of <b>modified</b> opinion or conclusion or <b>EOM</b> para</li> <li>• If entity's <b>historical</b> info is <b>never audited or reviewed</b>, consider if practitioner can obtain <b>sufficient understanding</b> of <b>entity</b> &amp; its FR</li> <li>• If transaction includes <b>acquisition</b> &amp; <b>acquiree's historical</b> financial info is <b>never audited</b> or reviewed, consider if practitioner can obtain <b>sufficient understanding of acquiree</b> &amp; its FR</li> <li>• Obtain agreement of <b>responsible party</b> for its <b>responsibility</b> for -             <ul style="list-style-type: none"> <li>○ <b>Compiling PFFI</b> on basis of criteria &amp;</li> <li>○ Adequately <b>disclosing</b> &amp; describing <b>criteria</b> to users <b>if not publicly</b> available</li> <li>○ <b>Providing</b> practitioner with -                 <ul style="list-style-type: none"> <li>▪ <b>Access to all info</b> (including of acquiree)</li> <li>▪ <b>Additional info</b> that he may request</li> <li>▪ <b>Access to person</b> within entity &amp; entity's advisors from whom practitioner obtains evidence</li> </ul> </li> <li>○ When needed, <b>access</b> to <b>individuals within acquiree</b> in business combination</li> </ul> </li> </ul>	<p><b>Practitioner's Responsibility</b></p> <ul style="list-style-type: none"> <li>• To report, if <b>PFFI</b> has been <b>compiled</b> by responsible party on basis of <b>applicable criteria</b> &amp; if criteria provides <b>reasonable basis</b> for presenting effects of <b>transaction</b></li> <li>• <b>Criteria</b> may be established by <b>authorized org</b> or <b>L&amp;R</b>. If do <b>not</b> exist, then <b>developed</b> by responsible party</li> </ul> <p><b>Planning &amp; Performing Engagement - Practitioner shall</b></p> <ul style="list-style-type: none"> <li>• <b>Understanding how</b> responsible party has <b>compiled PFFI</b></li> <li>• Obtain evidence for <b>source appropriateness</b></li> <li>• If there is <b>no audit</b> or review report on <b>source</b>, perform <b>procedures</b> to be satisfied that <b>source is appropriate</b></li> <li>• Determine if responsible party has <b>appropriately extracted</b> unadjusted financial info <b>from source</b></li> <li>• Assess if applicable <b>criteria is suitable</b></li> <li>• Consider <b>materiality</b> for <b>evaluating</b> if <b>PFFI</b> has been compiled <b>as per criteria</b></li> <li>• Obtain evidence for <b>appropriateness</b> of pro forma <b>adjustments</b>, including Adjustments to unadjusted financial info that -             <ul style="list-style-type: none"> <li>○ Illustrate <b>impact</b> of significant <b>transaction</b> as if it had occurred at <b>earlier date</b> &amp;</li> <li>○ Are <b>necessary</b> for <b>PFFI</b> to be compiled as per <b>AFRF</b> &amp; it's <b>a/cing policies</b></li> </ul> </li> <li>• <b>Evaluate presentation</b> of PFFI</li> <li>• <b>Read other info</b> in Prospectus to identify <b>material inconsistencies</b> with PFFI</li> </ul>

### Written Representations

- In **compiling** PFFI, responsible party has **identified** all **pro forma adjustments** to illustrate impact of transaction &
- **PFFI** has been **compiled** on basis of **applicable criteria**

### Opinion

#### Unmodified Opinion

When **PFFI** has been **compiled**, in all material respects, by responsible party on **basis of applicable criteria**

#### Modified Opinion

- Where **L&R precludes** (prohibits) publication of prospectus containing **modified opinion**, Practitioner shall **discuss** with **responsible party**. If responsible party does **not agree** to make **changes**, he shall -
  - **Withdraw** from engagement or
  - Consider seeking **legal advice**
- Where **L&R may not preclude** publication of **prospectus** containing **modified opinion**, Practitioner shall **express modified opinion**

#### EOM Para

EOM Para is included in report provided practitioner has obtained **SAAE** that **matter does not modify opinion**

### Elements of Report

- **Title** - Independent assurance report
- **Addressee** as per terms
- **Introductory para that identify**
  - **PFFI**
  - **Period or date** of PFFI &
  - **Source** & if **audit or review report** on such source is published
  - Reference to **criteria & source** of criteria
- Statement that **responsible party** is responsible for **compiling PFFI** on basis of **criteria**
- Description of **practitioner's responsibilities**, including -
  - To **express opinion** about if PFFI has been compiled, in all material respects, on basis of criteria
  - He does **not provide** any **assurance** that **actual outcome** of transaction at earlier date would have been **as presented**
  - That he is **not responsible** for **reissuing reports** on **historical** financial info used, **nor** he has performed **audit** or review of **financial info used** in compiling PFFI
- Statement that engagement was **performed as per SAE 3420**
- Statements that -
  - **Reasonable assurance** engagement to report on PFFI involves procedures to assess if **criteria** provides **reasonable basis** & to obtain **SAAE** about if -
    - Pro forma **adjustments** give **appropriate effect** to criteria
    - PFFI reflects **proper application of adjustments** to unadjusted financial info
  - **Procedures** selected depends on **judgment & understanding** of entity
  - Engagement also involves **evaluating presentation** of PFFI
- Unless otherwise required by **L&R**, **practitioner's opinion** wording that -
  - **PFFI** has been **compiled**, in all material respects, on basis of **applicable criteria** or
  - **PFFI** has been **properly compiled** on basis stated
- Practitioner's **signature**
- **Date** of report &
- **Place** of signature