

Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)

Readers may note that this Guidance Note supercedes the Guidance Note on Audit Reports and Certificates for Special Purposes, issued by the ICAI in 1984.



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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FOREWORD

Members of the Institute of Chartered Accountants of India (ICAI) are often called upon to issue reports/certificates for special purposes e.g. reports/ certificates required under the tax laws, Government welfare schemes like MGNREGA. Sometimes, these special purpose reports/certificates are also required from the members by the management of the entities for their own purposes. The Auditing and Assurance Standards Board of the ICAI, in 1984, had issued the Guidance Note on Audit Reports and Certificates for Special Purposes to provide guidance to the members carrying out engagements to issue reports/certificates for special purposes.

It is heartening that the Auditing and Assurance Standards Board has brought out this thoroughly revised edition of the Guidance Note on Audit Reports and Certificates for Special Purposes for the benefit of the members. The revised Guidance Note was initially developed by an expert group constituted by the Board for this purpose and thereafter it was finalised with the contribution of the Board members and the members of the Council of ICAI. I am happy that the Guidance Note is a comprehensive and self-contained reference document for the members.

I compliment CA. Shyam Lal Agarwal, Chairman, CA. Sanjay Vasudeva, Vice-Chairman and other members of the Auditing and Assurance Standards Board for bringing out this revised Guidance Note for the benefit of the members.

I am sure that the members would find the revised Guidance Note immensely useful.

September 26, 2016
New Delhi

CA. M. Devaraja Reddy
President, ICAI

PREFACE

The Auditing and Assurance Standards Board of the Institute of Chartered Accountants of India (ICAI) had issued the 'Guidance Note on Audit Reports and Certificates for Special Purposes' in the year 1984 to provide guidance to the members undertaking engagements to issue reports/certificates for special purposes.

It gives me immense pleasure to place in your hands this thoroughly revised 'Guidance Note on Reports or Certificates for Special Purposes' brought out by the Auditing and Assurance Standards Board. The Guidance Note has been written in an easy to understand language and contains detailed guidance on various issues and intricacies involved in the engagements to issue reports/certificates for special purposes. For the benefit of the members, the Appendices to the Guidance Note include the glossary of terms used in the Guidance Note and the illustrative formats of reports/certificates for special purposes.

At this juncture, I wish to place on record my gratitude to CA. Lalit Kumar, Noida for sparing time out of his other preoccupations for revising the Guidance Note. Further, he has taken all the pains to address and incorporate various suggestions received from members at large. In developing this Guidance Note, the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) has been taken as base document and necessary changes have been made to suit the Indian context. I would like to thank CA Harinderjit Singh, Gurgaon for his valuable contribution.

I would also like to thank all the members of Jaipur Study Group viz. CA. Bhupendra Mantri, CA. Ashok Singhal, CA. Vijay Kumar Jain, CA. Vishnu Mantri, CA. Vijay Jain, CA. Vikas Gupta, CA. Prahalad Gupta, CA. Ajay Atolia, CA. Ravi Raniwala, CA. Jugal Agrawal, CA. Shailendra Agarwal, CA. Keshav Garg, CA. Anil

Jain, CA. Rohit Ruwatia, CA. Pramod Kumar Boob, CA. P D Baid, CA. Dinesh Kumar Jain, CA. Sanjay Kumar Maheshwari, CA. Mukesh Gupta, CA. Sandeep Jhanwar and CA. Abhishek Sharma for their dedicated efforts in reviewing and finalising the Guidance Note.

I wish to express my sincere thanks to CA. M. Devaraja Reddy, Honourable President, ICAI and CA. Nilesh S. Vikamsey, Vice President, ICAI for their guidance and support to the activities of the Board.

I wish to place on record high appreciation of CA. Sanjay Vasudeva, Vice Chairman of the Board for his whole-hearted support. I also wish to place on record my sincere thanks to all the Board Members and all the Council Members for their suggestions, support and guidance in finalising this Guidance Note as well as other pronouncements of the Board. I also wish to thank CA. Megha Saxena, Secretary to the Board and other officers and staff of AASB for their hard work and continued co-operation.

I am confident that the Guidance Note would be well received by the members and other interested readers.

September 26, 2016
Jaipur

CA. Shyam Lal Agarwal
Chairman,
Auditing and Assurance Standards Board

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Introduction

1. The purpose of this Guidance Note is to provide guidance on engagements which require a 'professional accountant in public practice' (hitherto known as "practitioner")¹ to issue reports other than those which are issued in audits or reviews of historical financial information². The reports which are issued pursuant to audits or reviews of historical financial information are dealt with in Standards on Auditing (SAs) and Standards on Review Engagements (SREs), respectively, issued by the Institute of Chartered Accountants of India (ICAI).
2. In some cases, Government and other authorities under various statutes or notifications require reports or certificates from practitioners in support of statements or other information provided by an entity. Such reports or certificates can also be required to be issued to fulfill a contractual reporting obligation or may be required by the management or those charged with governance of an entity for its own special purposes.
3. Sometimes, the applicable law and regulation or a contractual arrangement that an entity might have entered into, prescribe the wording of report or certificates. The wording often requires the use of word or phrase like "certify" or "true and correct" to indicate absolute level of assurance expected to be provided by the practitioner on the subject matter. Absolute assurance indicates that a practitioner has performed procedures as considered appropriate to reduce the engagement risk³ to zero.
4. A practitioner is expected to provide either a reasonable assurance (about whether the subject matter of examination is materially misstated) or a limited assurance (stating that nothing has come to the practitioner's attention that causes the

¹ The term "Professional accountant in public practice" has the same meaning as given in the Framework for Assurance Engagements, issued by the Institute of Chartered Accountants of India in 2007.

² For meaning of the term "Historical Financial Information", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

³ For meaning of the term "Engagement Risk", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

practitioner to believe that the subject matter is materially misstated). A practitioner is not expected to reduce the engagement risk to zero. This is because there are inherent limitations attached to the procedures which a practitioner may perform in relation to issuance of a report or certificate, as the case may be. The inherent limitations arise from:

- (a) the nature of financial reporting;
- (b) the use of selective testing;
- (c) the inherent limitations of internal controls;
- (d) the fact that much of the evidence⁴ available to the practitioner is persuasive rather than conclusive;
- (e) the nature of procedures to be performed in a specific situation;
- (f) the use of professional judgment⁵ in gathering and evaluating evidence and forming conclusions based on that evidence;
- (g) in some cases, the characteristics of the underlying subject matter⁶ when evaluated or measured against the criteria⁷; and
- (h) the need for the engagement to be conducted within a reasonable period of time and at a reasonable cost.

5. In view of the above, depending upon the nature, timing and extent of procedures that can be performed based upon the facts and circumstances of the case, a report or certificate issued by a practitioner can provide either reasonable or limited level of assurance. Therefore, whenever a practitioner is required to give a “certificate” or a “report” for special purpose, the practitioner needs to undertake a careful evaluation of the scope of the engagement, i.e., whether the practitioner would be able to

⁴ For meaning of the term “Evidence”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

⁵ For meaning of the term “Professional Judgment”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

⁶ For meaning of the term “Underlying Subject Matter”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

⁷ For meaning of the term “Criteria”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

provide reasonable assurance or limited assurance on the subject matter.

6. The word 'certificate' as described in the laws and regulations or even in the contracts that an entity might have entered into can normally be associated with reasonable assurance. However, depending upon the circumstances and based upon the nature, timing and extent of the procedures which a practitioner can perform, the practitioner can conclude that a reasonable assurance cannot be expressed on the subject matter of the "certificate" and only limited assurance conclusion can be given. The practitioner's procedures in case where reasonable assurance is to be expressed would be substantially different (and more extensive) from circumstances where limited assurance is to be expressed. The Guidance Note, at relevant places, lists the different procedures to be performed in a reasonable assurance engagement *vis a vis* limited assurance engagement. Accordingly, for the purpose of this Guidance Note, the terms, "report" / "certificate" indicates an "assurance report" issued in compliance with this Guidance Note.

7. Assurance engagements include both assertion based engagements⁸, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria, and direct reporting engagements⁹, in which the practitioner measures or evaluates the underlying subject matter against the criteria. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users'¹⁰ confidence about the subject matter information¹¹ to a degree that is clearly more than inconsequential.

8. The Guidance Note should be read in the context of the Framework for Assurance Engagements, issued by the Institute of

⁸ For meaning of the term "Assertion based Engagements", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

⁹ For meaning of the term "Direct Reporting Engagements", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹⁰ For meaning of the term "Intended Users", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹¹ For meaning of the term "Subject Matter Information", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

Chartered Accountants of India (ICAI). **Appendix 1** to the Guidance Note contains a glossary of certain important terms used in the Guidance Note and is an integral part of the Guidance Note. Further, for the purposes of this Guidance Note, reference to “appropriate party(ies)” should be read hereafter as “the responsible party¹², the measurer¹³ or the evaluator¹⁴, or the engaging party¹⁵, as appropriate.”

Scope

9. This Guidance Note covers assurance engagements¹⁶ other than audits or reviews of historical financial information, as described in the *Framework for Assurance Engagements* (Assurance Framework) issued by the ICAI. This Guidance Note does not apply to assurance engagements for which subject specific Standards on Assurance Engagements have been issued by the ICAI.

10. Not all engagements performed by the practitioners are assurance engagements. Some frequently performed engagements that are not assurance engagements, and therefore not covered by the Guidance Note, include:

- (a) Engagements covered by Standards on Related Services (SRS), such as agreed-upon procedures and compilation engagements;
- (b) The preparation of tax returns where no assurance opinion/conclusion is expressed; and
- (c) Consulting (or advisory) engagements, such as management and tax consulting.

¹² For meaning of the term “Responsible Party”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹³ For meaning of the term “Measurer”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹⁴ For meaning of the term “Evaluator”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹⁵ For meaning of the term “Engaging Party”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹⁶ For meaning of the term “Assurance Engagements”, refer the Glossary of Terms given in the Appendix 1 to this Guidance Note.

11. This Guidance Note can also be applied on the reports or certificates related to historical non-financial information that a practitioner may be called upon to issue from time to time. ICAI, from time to time, issues specific Guidance Notes to provide guidance on certain assurance engagements. While complying with the requirements of those specific Guidance Notes, a practitioner may also draw guidance from the principles enunciated in this Guidance Note.

Objectives

12. In conducting an assurance engagement, the objectives of the practitioner are:

- (a) To obtain either reasonable assurance¹⁷ or limited assurance¹⁸, as appropriate, about whether the subject matter information is free from material misstatement¹⁹;
- (b) To express an opinion (in a reasonable assurance engagement)/a conclusion (in a limited assurance engagement) regarding the outcome of the measurement or evaluation of the underlying subject matter through a written report. The report also describes the basis for the conclusion;
- (c) Where the subject matter information is made up of a number of aspects, separate opinion/conclusion may be provided on each aspect. All such separate opinions/conclusions do not need to relate to the same level of assurance. Rather, each opinion/conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement. References in this Guidance Note to the opinion/conclusion in the assurance report include each

¹⁷ For meaning of the term "Reasonable Assurance Engagement", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹⁸ For meaning of the term "Limited Assurance Engagement", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

¹⁹ For meaning of the term "Misstatement", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

opinion/conclusion when separate opinions/conclusions are provided;

- (d) To communicate further as required by this Guidance Note.

13. In all cases when reasonable assurance or limited assurance, as appropriate, cannot be obtained and a qualified opinion/conclusion in the practitioner's assurance report is insufficient in the circumstances for the purposes of reporting to the intended users, this Guidance Note requires that the practitioner disclaim an opinion / a conclusion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable law or regulation.

14. The roles played by the responsible party, the measurer or evaluator, and the engaging party can vary. The management and governance structures vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. Such diversity means that it is not possible for the Guidance Note to specify for all engagements, the person(s) with whom the practitioner is to inquire of, request representations from, or otherwise communicate with in all circumstances. In some cases, for example, when the appropriate party(ies) is(are) only part of a complete legal entity, identifying the appropriate management personnel or those charged with governance with whom to communicate, will require the exercise of professional judgment to determine which person(s) have the appropriate responsibilities for, and knowledge of, the matters concerned.

Conduct of an Assurance Engagement in Accordance with Guidance Note

15. The Guidance Note aims to bring out the procedural differences between a limited assurance engagement *vis a vis* a reasonable assurance engagement. In this Guidance Note, guidance that applies to only limited assurance or reasonable assurance engagements have been presented in a columnar format with the letter "L" (limited assurance) or "R" (reasonable

assurance) after the paragraph number. Although some procedures are required only for reasonable assurance engagements, these may nonetheless be appropriate in some limited assurance engagements.

Inability to Achieve an Objective

16. If any of the objectives enumerated in this Guidance Note (refer paragraphs 12 to 14) cannot be achieved, the practitioner should evaluate whether this requires the practitioner to modify the practitioner's opinion/conclusion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). In case the practitioner is unable to achieve an objective, it represents a significant matter requiring documentation in accordance with paragraph 92 of this Guidance Note.

Ethical and Quality Control Requirements

17. A practitioner who performs assurance engagements covered under this Guidance Note is governed by the same ethical and quality control requirements as are described in paragraphs 4 and 5 of the Framework for Assurance Engagements.

Engagement Acceptance and Continuance

18. The practitioner needs to be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and assurance engagements have been followed, and should determine that conclusions reached in this regard are appropriate.

19. The practitioner should accept or continue an assurance engagement only when:

- (a) The practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied;
- (b) The practitioner is satisfied that those persons who are to

perform the engagement collectively (the engagement team)²⁰ have the appropriate competence and capabilities; and

- (c) The basis upon which the engagement is to be performed has been agreed, through:
 - i. Establishing that the preconditions for an assurance engagement are present (see also paragraphs 21-22); and
 - ii. Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities.

20. If the practitioner obtains information that would have caused the practitioner to decline the engagement had that information been available earlier, the practitioner should take necessary action promptly. In case of a firm²¹, the practitioner (i.e., the engagement partner²²)²³ should communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.

Preconditions for the Assurance Engagement

21. In order to establish whether the preconditions for an assurance engagement are present, the practitioner should, on the basis of a preliminary knowledge of the engagement circumstances²⁴ and discussion with the appropriate party(ies), determine whether:

- (a) The roles and responsibilities of the appropriate parties are

²⁰ For meaning of the term "Engagement Team", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

²¹ For meaning of the term "Firm", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

²² For meaning of the term "Engagement Partner", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

²³ In the context of a firm, the term practitioner would imply reference to the engagement partner.

²⁴ For meaning of the term "Engagement Circumstances", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

suitable in the circumstances; and

- (b) The engagement exhibits all of the following characteristics:
 - (i) The underlying subject matter is appropriate;
 - (ii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances, including that these exhibit the following characteristics as described in paragraph 35 of the Framework for Assurance Engagements:
 - a. Relevance.
 - b. Completeness.
 - c. Reliability.
 - d. Neutrality.
 - e. Understandability.
 - (iii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information will be available to the intended users²⁵.
 - (iv) The practitioner expects to be able to obtain the evidence needed to support the member's conclusion;
 - (v) The practitioner's opinion/conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and
 - (vi) A rational purpose including, in the case of a limited assurance engagement, that the practitioner expects to be able to obtain a meaningful level of assurance.

22. If the preconditions for an assurance engagement are not

²⁵ Refer Para 37 of the Framework for Assurance Engagements.

present, the practitioner should discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the practitioner would be well advised not to accept the engagement as an assurance engagement, unless required by law or regulation to do so.

Limitation on Scope Prior to Acceptance of the Engagement

23. If the engaging party imposes a limitation on the scope of the practitioner's work in the terms of a proposed assurance engagement, such that the practitioner believes the limitation will result in the practitioner disclaiming an opinion / a conclusion on the subject matter information, the practitioner should not accept such an engagement as an assurance engagement, unless required by law or regulation to do so.

Agreeing on the Terms of the Engagement

24. The practitioner should agree the terms of the engagement with the engaging party. The agreed terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement, written confirmation, or in law or regulation. It is in the interests of both, the engaging party and the practitioner, that the practitioner communicates in writing the agreed terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The terms of engagement, at a minimum, should include the following:

- (a) the objective and scope of engagement;
- (b) the responsibilities of the practitioner;
- (c) the responsibilities of engaging party;
- (d) the responsibilities of the responsible party (if different from the engaging party);
- (e) identification of the suitable criteria to be used;
- (f) identification of the subject matter including reference to the law or regulation or the contracts;
- (g) Unrestricted access to whatever records, documentation and

other information requested in connection with the engagement;

- (h) The fact that the engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist;
- (i) reference to the expected form and content of report to be issued by the practitioner; and
- (j) a statement that there may be circumstances in which a report may differ from its expected form and content.

25. The agreed terms of engagement can also include other general terms of engagement so long as those terms are not inconsistent with the applicable laws and regulations.

26. The form and content of the written agreement or contract will vary with the engagement circumstances. For example, if law or regulation prescribes in sufficient detail the terms of the engagement, the practitioner need not record them in a written agreement, except for the fact that such law or regulation applies and that the appropriate party acknowledges and understands its responsibilities under such law or regulation. Law or regulation, particularly in the public sector, may mandate the appointment of a practitioner and set out specific powers, such as the power to access appropriate party(ies)'s records and other information, and responsibilities, such as requiring the practitioner to report directly to an authority, the legislature or the public, in case appropriate party(ies) attempt to limit the scope of the engagement.

27. On recurring engagements, the practitioner should assess whether the circumstances require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of the engagement.

Acceptance of a Change in the Terms of the Engagement

28. The practitioner should not agree to a change in the terms of the engagement where there is no reasonable justification for doing so. If such a change is made, the practitioner should not

disregard evidence that was obtained prior to the change. A change in circumstances that affects the intended users' requirements, or a misunderstanding concerning the nature of the engagement, may justify a request for a change in the engagement, for example, from an assurance engagement to a non-assurance engagement, or from a reasonable assurance engagement to a limited assurance engagement. An inability to obtain sufficient appropriate evidence to form a reasonable assurance opinion/conclusion is not an acceptable reason to change from a reasonable assurance engagement to a limited assurance engagement.

Assurance Report Prescribed by Law or Regulation

29. In some cases, law or regulation prescribes the layout or wording of the assurance report. In these circumstances, the practitioner would need to evaluate:

- (a) Whether intended users might misunderstand the assurance conclusion; and
- (b) If so, whether additional explanation in the assurance report can mitigate possible misunderstanding.

30. If the practitioner concludes that additional explanation in the assurance report cannot mitigate possible misunderstanding, as the law or regulation does not allow the practitioner to provide such additional explanation in the assurance report to mitigate the risk of users misunderstanding of the assurance conclusion, the practitioner should not accept the engagement, unless required by law or regulation to do so.

31. In case the practitioner is required to issue an assurance report under the applicable laws or regulations, the practitioner should discuss the matter with the engaging party. The practitioner should provide a draft of the assurance report to be issued that duly incorporates the essential elements thereof as prescribed in paragraph 80 of the Guidance Note to the layout or the wordings so prescribed. Both, the practitioner and the

engaging party, should agree on the resulting modifications to the layout or wording prescribed under the laws or regulations. The agreement on layout or wording of the assurance report should be duly documented in the engagement letter. The practitioner should then accept and perform the engagement and issue the final assurance report duly incorporating therein the essential elements prescribed in the Guidance Note. If the engaging party does not agree to this approach, the practitioner should consider whether it would be appropriate to accept the engagement.

32. It may also happen that the concerned authorities reject the aforesaid assurance report issued by the practitioner on account of the modifications made to the prescribed layout or wording. In such circumstances, the practitioner should obtain the evidence of rejection of the assurance report by the concerned authorities and make it a part of the engagement documentation. The practitioner, in such a case, may issue the assurance report in the format prescribed under the law or regulation since the practitioner would have complied with the requirements of this Guidance Note while issuing the certificate in the first instance. The practitioner can also consider enclosing a statement containing essential elements of an assurance report as prescribed in paragraph 80 of this Guidance Note to the format prescribed under the law or regulation. The enclosure should also state the fact that a report issued earlier in accordance with this Guidance Note had been rejected by the concerned authorities.

32A. It is recognised that rejections of assurance reports or certificates issued might have also occurred in the past or there could be a situation where the concerned regulator has expressly indicated that any modification to the layout or the wording of the format is not acceptable and if time period available to follow the process in paragraphs 31 and 32 is not sufficient, the practitioner may issue the assurance report in the format prescribed under the law or regulation. If the practitioner has complied with all the requirements of this Guidance Note, the practitioner should also enclose a statement containing essential elements of an assurance report as prescribed in paragraph 80 of this Guidance Note, to the format prescribed under the law or regulation by

giving suitable reference of the statement in the format. (e.g. “in terms of our statement of even date” or “to be read with the enclosed statement of even date” etc.)

33. Similarly, the practitioner may conclude, that even where permitted by the law/regulation or it is otherwise accepted by the concerned regulatory bodies to provide additional information/explanation in the assurance report, doing the same will not mitigate the risk of users’ misunderstanding of the assurance conclusion expressed. In such circumstance, the practitioner should mention the circumstances not allowing the practitioner to bring down the risk of users’ misunderstanding in the report being issued by the practitioner. The practitioner should also include such matters in the scope of work documented in the engagement letter.

Professional Skepticism²⁶, Professional Judgment, and Assurance Skills and Techniques

34. The practitioner would need to plan and perform an engagement with professional skepticism, recognizing that circumstances may exist that may cause the subject matter information to be materiality misstated.

35. The practitioner needs to exercise professional judgment in planning and performing an assurance engagement, including determining the nature, timing and extent of procedures.

36. The practitioner should also apply assurance skills and techniques²⁷ as part of an iterative, systematic engagement process.

Planning

37. The practitioner should plan the engagement so that it will be performed in an effective manner, including setting the scope, timing and direction of the engagement, and determining the

²⁶ For meaning of the term “Professional Skepticism”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

²⁷ For meaning of the term “Assurance Skills and Techniques”, refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

nature, timing and extent of planned procedures that are required to be carried out in order to achieve the objective of the engagement.

38. The practitioner should determine whether the criteria are suitable for the engagement circumstances, including that they exhibit the characteristics identified in paragraph 21(b)(ii).

39. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner should discuss the matter with the appropriate party(ies), and determine:

- (a) Whether the matter can be resolved to the practitioner's satisfaction;
- (b) Whether it is appropriate to continue with the engagement; and
- (c) Whether and, if so, how to communicate the matter in the assurance report.

40. If it is discovered after the engagement has been accepted that some or all of the applicable criteria are unsuitable or some or all of the underlying subject matter is not appropriate for an assurance engagement, the practitioner would need to consider withdrawing from the engagement, if withdrawal is possible under applicable law or regulation. If the practitioner continues with the engagement, the practitioner should express a qualified or adverse opinion/conclusion, or disclaimer of opinion/conclusion, as appropriate in the circumstances.

Materiality

41. The practitioner would consider materiality when:

- (a) Planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures; and
- (b) Evaluating whether the subject matter information is free from material misstatement.

42. Professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, that is, for the same intended users and purpose, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.

43. The applicable criteria may discuss the concept of materiality in the context of the preparation and presentation of the subject matter information and thereby provide a frame of reference for the practitioner in considering materiality for the engagement. Although applicable criteria may discuss materiality in different terms, the concept of materiality generally includes the matters discussed in paragraphs 42-50. If the applicable criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.

44. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information. The practitioner's consideration of materiality is a matter of professional judgment, and is affected by the practitioner's perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users:

- (a) Have a reasonable knowledge of the underlying subject matter, and a willingness to study the subject matter information with reasonable diligence;
- (b) Understand that the subject matter information is prepared and assured to appropriate levels of materiality, and have an understanding of any materiality concepts included in the applicable criteria;
- (c) Understand any inherent uncertainties involved in the measuring or evaluating the underlying subject matter; and
- (d) Make reasonable decisions on the basis of the subject matter information taken as a whole.

Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.

45. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner's professional judgment.

46. Qualitative factors may include such things as:

- (a) The number of persons or entities affected by the subject matter.
- (b) The interaction between, and relative importance of, various components of the subject matter information when it is made up of multiple components, such as a report that includes numerous performance indicators.
- (c) The wording chosen with respect to subject matter information that is expressed in narrative form.
- (d) The characteristics of the presentation adopted for the subject matter information when the applicable criteria allow for variations in that presentation.
- (e) The nature of a misstatement, for example, the nature of observed deviations from a control when the subject matter information is a statement that the control is effective.
- (f) Whether a misstatement affects compliance with law or regulation.
- (g) In the case of periodic reporting on an underlying subject matter, the effect of an adjustment that affects past or current subject matter information or is likely to affect future subject matter information.
- (h) Whether a misstatement is the result of an intentional act or is unintentional.
- (i) Whether a misstatement is significant having regard to the

practitioner's understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the underlying subject matter.

- (j) Whether a misstatement relates to the relationship between the responsible party, the measurer or evaluator, or the engaging party or their relationship with other parties.
- (k) When a threshold or benchmark value has been identified, whether the result of the procedure deviates from that value.
- (l) When the underlying subject matter is a governmental program or public sector entity, whether a particular aspect of the program or entity is significant with regard to the nature, visibility and sensitivity of the program or entity.
- (m) When the subject matter information relates to a conclusion on compliance with law or regulation, the seriousness of the consequences of non-compliance.

47. Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter information, if any, that are:

- (a) Expressed numerically; or
- (b) Otherwise related to numerical values (for example, the number of observed deviations from a control may be a relevant quantitative factor when the subject matter information is a statement that the control is effective).

48. When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of uncorrected and undetected individually immaterial misstatements may cause the subject matter information to be materially misstated. It may therefore be appropriate when planning the nature, timing and extent of procedures for the practitioner to determine a quantity less than materiality as a basis for determining the nature, timing and extent of procedures.

49. Materiality relates to the information covered by the

assurance report. Therefore, when the engagement covers some, but not all, aspects of the information communicated about an underlying subject matter, materiality is considered in relation to only that portion that is covered by the engagement.

50. Concluding on the materiality of the misstatements identified as a result of the procedures performed requires professional judgment. For example, in a compliance engagement, the entity may have complied with nine provisions of the relevant law or regulation, but did not comply with one provision. Professional judgment is needed to conclude whether the entity complied with the relevant law or regulation as a whole. For example, the practitioner may consider the significance of the provision with which the entity did not comply, as well as the relationship of that provision to the remaining provisions of the relevant law or regulation.

Understanding the Underlying Subject Matter and Other Engagement Circumstances

51. The practitioner should make inquiries of the appropriate party(ies) regarding:

- (a) Whether they have knowledge of any actual, suspected or alleged intentional misstatement or non-compliance with laws and regulations affecting the subject matter information;
- (b) Whether the responsible party has an internal audit function²⁸ and, if so, make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter information; and
- (c) Whether the responsible party has used any experts in the preparation of the subject matter information.

²⁸ For meaning of the term "Internal Audit Function", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

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Limited Assurance	Reasonable Assurance
52L. The practitioner should obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to: (a) Enable the practitioner to identify areas where a material misstatement of the subject matter information is likely to arise; and (b) Thereby, provide a basis for designing and performing procedures to address the areas identified in paragraph 52L(a) and to obtain limited assurance to support the practitioner's conclusion.	52R. The practitioner should obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to: (a) Enable the practitioner to identify and assess the risks of material misstatement²⁹ in the subject matter information; and (b) Thereby, provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's opinion.
53L. In obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 52L, the practitioner should consider the process used to prepare the subject matter information.	53R. In obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 52R, the practitioner should obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement. This includes evaluating the design of those controls relevant to the engagement and determining whether they have been implemented by performing procedures in

²⁹ For meaning of the term "Risk of Material Misstatement", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

	addition to the inquiry of the personnel responsible for the subject matter information.
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Obtaining Evidence

Risk Consideration and Responses to Risks

Limited Assurance	Reasonable Assurance
54L. Based on the practitioner's understanding (see paragraph 52L), the practitioner should: (a) Identify areas where a material misstatement of the subject matter information is likely to arise; (b) Design and perform procedures to address the areas identified in paragraph 54L(a) and to obtain limited assurance to support the practitioner's conclusion.	54R. Based on the practitioner's understanding (see paragraph 52R) the practitioner should: (a) Identify and assess the risks of material misstatement in the subject matter information; and (b) Design and perform procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's opinion. In addition to any other procedures on the subject matter information that are appropriate in the engagement circumstances, the practitioner's procedures would include obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the subject matter information when: (i) The practitioner's assessment of the risks of material misstatement includes an expectation that controls are

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	operating effectively, or (ii) Procedures other than testing of controls cannot alone provide sufficient appropriate evidence.
Determining Whether Additional Procedures are necessary in a Limited Assurance Engagement	Revision of Risk Assessment in a Reasonable Assurance Engagement
55L. If the practitioner becomes aware of a matter(s) that causes the practitioner to believe that the subject matter information may be materially misstated, the practitioner should design and perform additional procedures to obtain further evidence until the practitioner is able to: (a) Conclude that the matter is not likely to cause the subject matter information to be materially misstated; or (b) Determine that the matter(s) causes the subject matter information to be materially misstated.	55R. The practitioner's assessment of the risks of material misstatement in the subject matter information may change during the course of the engagement as additional evidence is obtained. In circumstances where the practitioner obtains evidence which is inconsistent with the evidence on which the practitioner originally based the assessment of the risks of material misstatement, the practitioner should revise the assessment and modify the planned procedures accordingly.

56. When designing and performing procedures, the practitioner would also need to consider the relevance and reliability of the information to be used as evidence. If:

- (a) Evidence obtained from one source is inconsistent with that obtained from another; or

- (b) The practitioner has doubts about the reliability of information to be used as an evidence,
the practitioner should determine what changes or additions to the procedures are necessary to resolve the matter, and should consider the effect of the matter, if any, on other aspects of the engagement.
57. The practitioner should accumulate uncorrected misstatements identified during the engagement other than those that are clearly trivial and determine the effect of the misstatement on the assurance report.

Work Performed by a Practitioner's Expert³⁰

58. When the work of a practitioner's expert is to be used, the practitioner should also:
- (a) Evaluate whether the practitioner's expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. In the case of a practitioner's external expert, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to that expert's objectivity;
 - (b) Obtain a sufficient understanding of the field of expertise of the practitioner's expert;
 - (c) Agree with the practitioner's expert on the nature, scope and objectives of that expert's work; and
 - (d) Evaluate the adequacy of the practitioner's expert's work for the practitioner's purposes.

Work Performed by Another Practitioner, a Responsible Party's or Measurer's or Evaluator's Expert, or an Internal Auditor

59. When the work of another practitioner is to be used, the practitioner should evaluate whether that work is adequate for the practitioner's purposes.

³⁰ For meaning of the term "Practitioner's Expert", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

60. If information to be used as evidence has been prepared using the work of a responsible party's or a measurer's or evaluator's expert, the practitioner should, to the extent necessary having regard to the significance of that expert's work for the practitioner's purposes:

- (a) Evaluate the competence, capabilities and objectivity of that expert;
- (b) Obtain an understanding of the work of that expert; and
- (c) Evaluate the appropriateness of that expert's work as evidence.

61. If the practitioner plans to use the work of the internal audit function, the practitioner should evaluate the following:

- (a) The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors;
- (b) The level of competence of the internal audit function;
- (c) Whether the internal audit function applies a systematic and disciplined approach, including quality control; and
- (d) Whether the work of the internal audit function is adequate for the purposes of the engagement.

Written Representations

62. The practitioner should request from the appropriate party(ies) a written representation:

- (a) That it has provided the practitioner with all information of which the appropriate party(ies) is aware that is relevant to the engagement.
- (b) Confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information.

63. If, in addition to required representations, the practitioner

determines that it is necessary to obtain one or more written representations to support other evidence relevant to the subject matter information, the practitioner should request such other written representations.

64. When written representations relate to matters that are material to the subject matter information, the practitioner should:

- (a) Evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written); and
- (b) Consider whether those making the representations can be expected to be well-informed on the particular matters.

65. The date of the written representations should be as near as practicable to, but not after, the date of the assurance report.

Requested Written Representations Not Provided or Not Reliable

66. If one or more of the requested written representations are not provided or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the practitioner should:

- (a) Discuss the matter with the appropriate party(ies);
- (b) Re-evaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general; and
- (c) Take appropriate actions, including determining the possible effect on the conclusion in the assurance report.

Subsequent Events

67. When relevant to the engagement, the practitioner should consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report,

and should respond appropriately to the facts that become known to the practitioner after the date of the assurance report, that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report. The extent of consideration of subsequent events depends on the potential for such events to affect the subject matter information and to affect the appropriateness of the practitioner's conclusion. However, the practitioner has no responsibility to perform any procedures regarding the subject matter information after the date of the assurance report.

Other Information³¹

68. When documents containing the subject matter information and the assurance report thereon include other information, the practitioner should read that other information to identify material inconsistencies, if any, with the subject matter information or the assurance report and, if on reading that other information, the practitioner:

- (a) Identifies a material inconsistency between that other information and the subject matter information or the assurance report; or
- (b) Becomes aware of a material misstatement of fact³² in that other information that is unrelated to matters appearing in the subject matter information or the assurance report,

The practitioner should discuss the matter with the appropriate party(ies) and take further action as appropriate.

Description of Applicable Criteria

69. The practitioner would need to evaluate whether the subject matter information adequately refers to or describes the applicable criteria. The description of the applicable criteria

³¹ For meaning of the term "Other Information", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

³² For meaning of the term "Misstatement of Fact", refer the Glossary of Terms given in the Appendix 1 to the Guidance Note.

advises intended users of the framework on which the subject matter information is based, and is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter information.

70. A description that the subject matter information is prepared in accordance with particular applicable criteria is appropriate only if the subject matter information complies with all relevant requirements of those applicable criteria that are effective. A description of the applicable criteria that contains imprecise qualifying or limiting language (for example, “the subject matter information is in substantial compliance with the requirements of XYZ”) is not an adequate description as it may mislead users of the subject matter information.

Forming the Assurance Opinion/Conclusion

71. The practitioner should evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary in the circumstances, attempt to obtain further evidence. The practitioner should consider all relevant evidence, regardless of whether it appears to corroborate or to contradict the measurement or evaluation of the underlying subject matter against the applicable criteria. If the practitioner is unable to obtain necessary further evidence, the practitioner should consider the implications for the practitioner’s opinion/conclusion in paragraph 72³³.

72. The practitioner should form an opinion/a conclusion about whether the subject matter information is free of material misstatement. In forming that opinion/conclusion, the practitioner should consider the practitioner’s conclusion in paragraph 71 regarding the sufficiency and appropriateness of evidence obtained and an evaluation of whether uncorrected misstatements are material, individually or in the aggregate.

73. Evidence is necessary to support the practitioner’s

³³ Refer Para 41- 45 of the Framework for Assurance Engagements.

opinion/conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources, such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or the quality control procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by an expert employed or engaged by the appropriate party(ies). Evidence comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, refusal by the appropriate party(ies) to provide a requested representation) is used by the practitioner, and therefore, also constitutes evidence. Most of the practitioner's work in forming the assurance opinion/conclusion consists of obtaining and evaluating evidence.

74. If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner should express a qualified opinion/conclusion or disclaim an opinion/conclusion, or withdraw from the engagement, where withdrawal is possible under applicable law or regulation, as appropriate.

Preparing the Assurance Report

75. The assurance report should be in writing and should contain a clear expression of the practitioner's opinion/conclusion about the subject matter information. Where the subject matter information is made up of a number of aspects, separate opinions/conclusions may be provided on each aspect. All such separate opinions/conclusions do not need to relate to the same level of assurance. Rather, each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement. References in

this Guidance Note to the opinion/conclusion in the assurance report include each opinion/conclusion when separate opinions/conclusions are provided.

76. The practitioner's opinion/conclusion should be clearly separated from information or explanations that are not intended to affect the practitioner's opinion/conclusion, including any Emphasis of Matter, Other Matter, findings related to particular aspects of the engagements, recommendations or additional information included in the assurance report. The wording used should make it clear that an Emphasis of Matter, Other Matter, findings, recommendations or additional information is not intended to detract from the practitioner's opinion/conclusion.

77. Oral and other forms of expressing conclusions can be misunderstood without the support of a written report. For this reason, the practitioner shall not report orally without providing a written assurance report.

78. This Guidance Note does not require a standardized format for reporting on all assurance engagements. Instead, it identifies the basic elements the assurance report is to include. Assurance reports are tailored to the specific engagement circumstances. The practitioner may use headings, paragraph numbers, typographical devices, for example the bolding of text, and other mechanisms to enhance the clarity and readability of the assurance report.

79. The practitioner may choose a "short form" or "long form" style of reporting to facilitate effective communication to the intended users. "Short-form" reports ordinarily include only the basic elements. "Long-form" reports include other information and explanations that are not intended to affect the practitioner's conclusion. In addition to the basic elements, long-form reports may describe in detail the terms of the engagement, the applicable criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, disclosure of materiality levels, and, in some cases, recommendations. The practitioner may find it helpful to consider

the significance of providing such information to the information needs of the intended users. As required by paragraph 76, additional information is clearly separated from the practitioner's conclusion and phrased in such a manner so as make it clear that it is not intended to detract from that conclusion.

Assurance Report Content

80. In order to assert compliance with this Guidance Note, among other things, the assurance report should include at a minimum the following basic elements:

- (a) A *title* that clearly indicates the report is an independent assurance report. An appropriate title helps to identify the nature of the assurance report, and to distinguish it from reports issued by others, such as those who do not have to comply with the same ethical requirements as the practitioner. In case, the applicable law or regulation or the contractual arrangement entered by the entity specifies a title or phrases to identify the assurance report, the practitioner may use the title or phrases so prescribed.
- (b) An *addressee*. An addressee identifies the party or parties to whom the assurance report is directed. The assurance report is ordinarily addressed to the engaging party, but in some cases there may be other intended users.
- (c) An *identification or description of the level of assurance obtained by the practitioner, the subject matter information and, when appropriate, the underlying subject matter*. When the practitioner's conclusion is phrased in terms of a statement made by the appropriate party, that statement should accompany the assurance report, be reproduced in the assurance report or be referenced therein to a source that is available to the intended users. Identification and description of the subject matter information and, when appropriate, the underlying subject matter may include, for example:
 - The point in time or period of time to which the

measurement or evaluation of the underlying subject matter relates.

- Where applicable, the name of the responsible party or component of the responsible party to which the underlying subject matter relates.
 - An explanation of those characteristics of the underlying subject matter or the subject matter information of which the intended users should be aware, and how such characteristics may influence the precision of the measurement or evaluation of the underlying subject matter against the applicable criteria, or the persuasiveness of available evidence. For example:
 - The degree to which the subject matter information is qualitative versus quantitative, objective versus subjective, or historical versus prospective.
 - Changes in the underlying subject matter or other engagement circumstances that affect the comparability of the subject matter information from one period to the next.
- (d) *Identification of the applicable criteria.* The assurance report identifies the applicable criteria against which the underlying subject matter was measured or evaluated so that the intended users can understand the basis for the practitioner's opinion/conclusion. The assurance report may include the applicable criteria, or refer to them if they are included in the subject matter information or if they are otherwise available from a readily accessible source. It may be relevant in the circumstances, to disclose:
- The source of the applicable criteria, and whether or not the applicable criteria are embodied in law or regulation, or issued by authorized or recognized bodies of experts that follow a transparent due process, that is, whether they are established

criteria in the context of the underlying subject matter (and if they are not, a description of why they are considered suitable).

- Measurement or evaluation methods used when the applicable criteria allows for choice between a number of methods.
 - Any significant interpretations made in applying the applicable criteria in the engagement circumstances.
 - Whether there have been any changes in the measurement or evaluation methods used.
- (e) Where appropriate, a description of any *significant inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria*. While in some cases, inherent limitations can be expected to be well-understood by the intended users of an assurance report, in other cases it may be appropriate to make explicit reference to them in the assurance report. For example, in an assurance report related to the effectiveness of internal control, it may be appropriate to note that the historic evaluation of effectiveness is not relevant to future periods due to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.
- (f) When the applicable criteria are designed for a specific purpose, a statement alerting readers to this fact and that, as a result, the subject matter information may not be suitable for another purpose. In some cases the applicable criteria used to measure or evaluate the underlying subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular applicable criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts readers of the assurance report to this fact and that

therefore, the subject matter information may not be suitable for another purpose.

In addition to the alert as required in the preceding paragraph, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, for example, the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted in this way, the absence of a restriction regarding a particular user or purpose does not itself indicate that a legal responsibility is owed by the practitioner in relation to that user or for that purpose. Whether a legal responsibility is owed will depend on the legal circumstances of each case and the relevant jurisdiction.

- (g) *A statement to identify the responsible party and the measurer or evaluator if different, and to describe their responsibilities and the practitioner's responsibilities.* Identifying relative responsibilities informs the intended users that the responsible party is responsible for the underlying subject matter, that the measurer or evaluator is responsible for the measurement or evaluation of the underlying subject matter against the applicable criteria, and that the Practitioner's role is to independently express an opinion/conclusion about the subject matter information.
- (h) A statement that the engagement was performed in accordance with this Guidance Note.
- (i) A statement that the firm, of which the practitioner is a partner has applied SQC 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*.
- (j) *A statement that the practitioner complies with the independence and other ethical requirements of the Code*

of Ethics issued by the Institute of Chartered Accountants of India. The following is an illustration of a statement in the assurance report regarding compliance with ethical requirements:

“We conducted our engagement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. That Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.”

- (k) *An informative summary of the work performed* as the basis for the practitioner's opinion/conclusion. In the case of a limited assurance engagement, an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the practitioner's opinion/conclusion. In a limited assurance engagement, the summary of the work performed should state that:

- (i) The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and
- (ii) Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the practitioner's opinion/conclusion. In most cases, this will not involve detailing the entire work plan, but on the other hand it is important for it not to be so summarized as to be ambiguous, nor written in a way that is overstated or embellished.

- (l) The practitioner's opinion/conclusion:

- (i) When appropriate, the opinion/conclusion should inform the intended users of the context in which the practitioner's opinion/conclusion is to be read.

It may be appropriate to inform the intended users of the context in which the practitioner's opinion/conclusion is to be read when the assurance report includes an explanation of particular characteristics of the underlying subject matter of which the intended users should be aware. The practitioner's opinion/conclusion may, for example, include wording such as: "This opinion/conclusion has been formed on the basis of the matters outlined elsewhere in this independent assurance report."

- (ii) In a reasonable assurance engagement, the opinion is expressed in a positive form. Examples of opinion expressed in a form appropriate for a reasonable assurance engagement include:

- When expressed in terms of the underlying subject matter and the applicable criteria, "In our opinion, the entity has complied, in all material respects, with XYZ law";
- When expressed in terms of the subject matter information and the applicable criteria, "In our opinion, the Statement of Net Worth is properly prepared, in all material respects, based on XYZ criteria"; or
- When expressed in terms of a statement made by the appropriate party, "In our opinion, the [appropriate party's] statement that the entity has complied with XYZ law is, in all material respects, fairly stated," or "In our opinion, the [appropriate party's] statement that the key performance indicators are presented in accordance with

XYZ criteria is, in all material respects, fairly stated”.

- (iii) In a limited assurance engagement, the conclusion is expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe that the subject matter information is materially misstated. Examples of conclusions expressed in a form appropriate for a limited assurance engagement include:
- When expressed in terms of the underlying subject matter and the applicable criteria, “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that [the entity] has not complied, in all material respects, with XYZ law.”
 - When expressed in terms of the subject matter information and the applicable criteria, “Based on the procedures performed and evidence obtained, we are not aware of any material amendments that need to be made to the assessment of key performance indicators for them to be in accordance with XYZ criteria.”; or
 - When expressed in terms of a statement made by the appropriate party, “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [appropriate party’s] statement that [the entity] has complied with XYZ law, is not, in all material respects, fairly stated.”
- (iv) The opinion/conclusion in (ii) or (iii) should be

phrased using appropriate words for the underlying subject matter and applicable criteria given the engagement circumstances and need to be phrased in terms of:

- a. The underlying subject matter and the applicable criteria;
- b. The subject matter information and the applicable criteria; or
- c. A statement made by the appropriate party.

Forms of expression which may be useful for underlying subject matters include, for example, one, or a combination of, the following:

- For compliance engagements—"in compliance with" or "in accordance with."
- For engagements when the applicable criteria describe a process or methodology for the preparation or presentation of the subject matter information—"properly prepared."
- For engagement when the principles of fair presentation are embodied in the applicable criteria—"fairly stated."

- (v) When the practitioner expresses a modified opinion/conclusion, the assurance report should contain:
 - a. A section that provides a description of the matter(s) giving rise to the modification; and
 - b. A section that contains the practitioner's modified opinion/conclusion
- (m) *The practitioner's signature.* The assurance report is signed by the practitioner in his personal name. Where a Firm is appointed to carry out the engagement, the report

is signed in the personal name of the practitioner and in the name of the audit firm. The partner/proprietor signing the assurance report also needs to mention the membership number assigned by the ICAI. They also include the registration number of the Firm, wherever applicable, as allotted by ICAI, in the assurance reports signed by them.

- (n) *The date of the assurance report.* The assurance report should be dated no earlier than the date on which the practitioner has obtained the evidence on which the practitioner's opinion/conclusion is based, including evidence that those with the recognized authority have asserted that they have taken responsibility for the subject matter information.
- (o) The place of signature.

Reference to the Practitioner's Expert in the Assurance Report

81. If the practitioner refers to the work of a practitioner's expert in the assurance report, the wording of that report should not imply that the practitioner's responsibility for the opinion/conclusion expressed in that report is reduced because of the involvement of that expert.

Assurance Report Prescribed by Law or Regulation

82. If the practitioner is required by law or regulation to use a specific layout or wording of the assurance report, the assurance report should refer to this Guidance Note, only if the assurance report includes, at a minimum, each of the elements identified in paragraph 80.

Unmodified and Modified Opinions/Conclusions

83. The practitioner should express an unmodified opinion/conclusion when the practitioner concludes:

- (a) In the case of a reasonable assurance engagement, that the subject matter information is prepared, in all material respects, in accordance with the applicable criteria; or
 - (b) In the case of a limited assurance engagement, that, based on the procedures performed and evidence obtained, no matter(s) has come to the attention of the practitioner that causes the practitioner to believe that the subject matter information is not prepared, in all material respects, in accordance with the applicable criteria.
84. If the practitioner considers it necessary to:
- (a) Draw intended users' attention to a matter presented or disclosed in the subject matter information that, in the practitioner's judgment, is of such importance that it is fundamental to intended users' understanding of the subject matter information (an Emphasis of Matter paragraph); or
 - (b) Communicate a matter other than those that are presented or disclosed in the subject matter information that, in the practitioner's judgment, is relevant to intended users' understanding of the engagement, the practitioner's responsibilities or the assurance report (an Other Matter paragraph),
- and this is not prohibited by law or regulation, the practitioner may do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner's opinion/conclusion is not modified in respect of the matter/s. In the case of an Emphasis of Matter paragraph, such a paragraph should refer only to the information presented or disclosed in the subject matter information.
85. The practitioner would need to express a modified opinion/conclusion in the following circumstances:
- (a) When, in the practitioner's professional judgment, a scope limitation exists and the effect of the matter could be

material. In such cases, the practitioner should express a qualified opinion/conclusion or a disclaimer of opinion/conclusion.

- (b) When, in the practitioner's professional judgment, the subject matter information is materially misstated. In such cases, the practitioner should express a qualified opinion/conclusion or adverse opinion/conclusion.

Examples of qualified and adverse opinions/conclusions and a disclaimer of opinions/conclusion are:

- Qualified conclusion (an example for limited assurance engagements with a material misstatement) – “Based on the procedures performed and the evidence obtained, except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the [appropriate party's] statement does not present fairly, in all material respects, the entity's compliance with XYZ law.”
- Adverse opinion (an example for a material and pervasive misstatement for both reasonable assurance and limited assurance engagements) – “Because of the significance of the matter described in the Basis for Adverse Opinion/Conclusion section of our report, the [appropriate party's] statement does not present fairly the entity's compliance with XYZ law.”
- Disclaimer of conclusion (an example for a material and pervasive limitation of scope for both reasonable assurance and limited assurance engagements) – “Because of the significance of the matter described in the Basis for Disclaimer of Opinion/Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to form an opinion/ conclusion on the

[appropriate party's] statement. Accordingly, we do not express an opinion/ conclusion on that statement."

86. The practitioner should express a qualified opinion/conclusion when, in the practitioner's professional judgment, the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse opinion/conclusion or a disclaimer of opinion/conclusion. A qualified opinion/conclusion should be expressed as being "except for" the effects, or possible effects, of the matter to which the qualification relates.

87. The term 'pervasive' describes the effects on the subject matter information of misstatements or the possible effects on the subject matter information of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate evidence. Pervasive effects on the subject matter information are those that, in the practitioner's professional judgment:

- (a) Are not confined to specific aspects of the subject matter information;
- (b) If so confined, represent or could represent a substantial proportion of the subject matter information; or
- (c) In relation to disclosures, are fundamental to the intended users' understanding of the subject matter information.
- (d) The nature of the matter, and the practitioner's judgment about the pervasiveness of the effects or possible effects on the subject matter information, affects the type of conclusion to be expressed.

88. If the practitioner expresses a modified opinion/conclusion because of a scope limitation but is also aware of a matter(s) that causes the subject matter information to be materially misstated, the practitioner should include in the assurance report a clear description of both the scope limitation and the matter(s) that causes the subject matter information to be materially misstated.

89. When the statement made by the appropriate party has

identified and properly described that the subject matter information is materially misstated, the practitioner should either:

- (a) Express a qualified opinion/conclusion or adverse opinion/conclusion phrased in terms of the underlying subject matter and the applicable criteria; or
- (b) If specifically required by the terms of the engagement to phrase the opinion/conclusion in terms of a statement made by the appropriate party, express an unqualified opinion/conclusion but include an Emphasis of Matter paragraph in the assurance report, referring to the statement made by the appropriate party that identifies and properly describes that the subject matter information is materially misstated. In some cases, the measurer or evaluator may identify and properly describe that the subject matter information is materially misstated. For example, in a compliance engagement the measurer or evaluator may correctly describe the instances of non-compliance. In such circumstances, paragraph 88 requires the practitioner to draw the intended users' attention to the description of the material misstatement, by either expressing a qualified or adverse opinion/conclusion or by expressing an unqualified opinion/conclusion but emphasizing the matter by specifically referring to it in the assurance report.

90. **Appendix 2** to the Guidance Note contains illustrative formats of Reports/Certificates.

Other Communication Responsibilities

91. The practitioner should consider whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the practitioner that is to be communicated with the responsible party, the measurer or evaluator, the engaging party, those charged with governance or others.

Documentation

92. The practitioner should prepare on a timely basis engagement documentation that provides a record of the basis for

the assurance report that is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand:

- (a) The nature, timing and extent of the procedures performed to comply with the Guidance Note and applicable legal and regulatory requirements;
- (b) The results of the procedures performed, and the evidence obtained; and
- (c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

93. If the practitioner identifies information that is inconsistent with the practitioner's final opinion/conclusion regarding a significant matter, the practitioner should document how the practitioner addressed the inconsistency.

94. The practitioner should assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. SQC 1 requires establishment of policies and procedures for the timely completion of the assembly of engagement files. An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.

95. The completion of the assembly of the final engagement file after the date of the assurance report is an administrative process that does not involve the performance of new procedures or the drawing of new opinion/conclusions. Changes may, however, be made to the documentation during the final assembly process if they are administrative in nature. Examples of such changes include:

- Deleting or discarding superseded documentation.
- Sorting, collating and cross-referencing working papers.

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- Signing off on completion checklists relating to the file assembly process.
- Documenting evidence that the practitioner has obtained, discussed and agreed with the relevant practitioners of the engagement team before the date of the assurance report.

96. After the assembly of the final engagement file has been completed, the practitioner should not delete or discard engagement documentation of any nature before the end of its retention period. The retention period for assurance engagements ordinarily is no shorter than seven years from the date of assurance report.³⁴

97. If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed the practitioner should, regardless of the nature of the amendments or additions, document:

- a) The specific reasons for making the amendments or additions; and
- b) When, and by whom, they were made and reviewed.

³⁴ Refer Para 83 of SQC 1

APPENDIX 1

Glossary of Terms Used in the Guidance Note

For purposes of this Guidance Note, the following terms have the meanings attributed below.

1. Assurance engagement—An engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express an opinion/conclusion, designed to enhance the degree of confidence of the intended users, other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria). Each assurance engagement is classified on two dimensions:

- Either a reasonable assurance engagement or a limited assurance engagement:
 - *Reasonable assurance engagement*—An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement, as the basis for the practitioner's opinion. The practitioner's opinion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against the criteria.
 - *Limited assurance engagement*—An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement, as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has(have) come to the practitioner's attention to cause the practitioner to believe that the subject matter information is

materially misstated. The nature, timing, and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful.

- Either assertion based engagement or a direct reporting engagement:
 - *Assertion based engagement*—An assurance engagement in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria. A party other than the practitioner also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by the practitioner in the assurance report. In an attestation engagement, the practitioner's conclusion addresses whether the subject matter information is free from material misstatement. The practitioner's conclusion may be phrased in terms of:
 - (i) The underlying subject matter and the applicable criteria;
 - (ii) The subject matter information and the applicable criteria; or
 - (iii) A statement made by the appropriate party.
 - *Direct reporting engagement*—An assurance engagement in which the practitioner measures or evaluates the underlying subject matter against the applicable criteria and the practitioner presents the resulting subject matter information as part of, or accompanying, the assurance report. In a direct engagement, the practitioner's conclusion

addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria.

2. Assurance skills and techniques—Those planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner that are distinct from expertise in the underlying subject matter of any particular assurance engagement or its measurement or evaluation. Assurance skill and techniques include:

- Application of professional skepticism and professional judgment;
- Planning and performing an assurance engagement, including obtaining and evaluating evidence;
- Understanding information systems and the role and limitations of internal control;
- Linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures;
- Applying procedures as appropriate to the engagement (which may include inquiry, inspection, re-calculation, re-performance, observation, confirmation, and analytical procedures); and
- Systematic documentation practices and assurance report-writing skills.

3. Criteria—The benchmarks used to measure or evaluate the underlying subject matter. The “applicable criteria” are the criteria used for the particular engagement. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context-sensitive, that is, it is determined in the context of the engagement circumstances. Even for the same underlying subject matter there

can be different criteria, which will yield a different measurement or evaluation. For example, a measurer or evaluator might select, as one of the criteria for the underlying subject matter of customer satisfaction, the number of customer complaints resolved to the acknowledged satisfaction of the customer; another measurer or evaluator might select the number of repeat purchases in the three months following the initial purchase. The suitability of criteria is not affected by the level of assurance, that is, if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa. Suitable criteria include, when relevant, criteria for presentation and disclosure.

4. Engagement circumstances — The broad context defining the particular engagement, which includes the terms of the engagement; whether it is a reasonable assurance engagement or a limited assurance engagement, the characteristics of the underlying subject matter; the measurement or evaluation criteria; the information needs of the intended users; relevant characteristics of the responsible party, the measurer or evaluator, and the engaging party and their environment; and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.

5. Engagement partner — The partner or other person in the firm who is a member of the Institute of Chartered Accountants of India and is in full time practice and is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

6. Engagement risk — The risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated³⁵.

7. Engaging party — The party(ies) that engages the

³⁵ Refer to Para 47-48 and Para 51 of the Framework for Assurance Engagements.

practitioner to perform the assurance engagement. The engaging party may be under different circumstances, management or those charged with governance of the responsible party, a legislature, the intended users, the measurer or evaluator, or a different third party

8. Engagement team — All personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.

9. Evidence — Information used by the practitioner in arriving at the practitioner's conclusion. Evidence includes both, information contained in relevant information systems, if any, and other information

10. Firm — A sole practitioner/proprietor, partnership or any such entity of professional accountants, as may be permitted by law.

11. Historical financial information — Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

12. Internal audit function — A function of an entity that performs assurance and consulting activities, designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes.

13. Intended users — The individual(s) or organization(s), or group(s) thereof that the practitioner expects will use the assurance report.

In some cases there may be intended users other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly, where a large number of people have access to it. In such cases, particularly where possible, users are likely to have a broad range of interests in the underlying subject matter, intended users may be limited to major stakeholders with significant and

common interests. Intended users may be identified in different ways, for example, by agreement between the practitioner and the responsible party or engaging party, or by law or regulation.

Intended users or their representatives may be directly involved with the practitioner and the responsible party (and the engaging party, if different) in determining the requirements of the engagement. Regardless of the involvement of others however, and unlike an agreed-upon procedures engagement (which involves reporting factual findings based upon procedures agreed with the engaging party and any appropriate third parties, rather than a conclusion):

- (a) The practitioner is responsible for determining the nature, timing and extent of procedures; and
- (b) The practitioner may need to perform additional procedures, if information comes to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based.

In some cases, intended users (for example, bankers and regulators) impose a requirement on, or request the appropriate party(ies) to arrange for an assurance engagement to be performed for a specific purpose. When engagements use criteria that are designed for a specific purpose, paragraph 80 requires a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report.

14. **Measurer or evaluator** — The party(ies) who measures or evaluates the underlying subject matter against the criteria. The measurer or evaluator possesses expertise in the underlying subject matter. In many attestation engagements, the responsible party may also be the measurer or evaluator, and the engaging party. The measurer or evaluator is responsible for having a reasonable basis for the subject matter information. What constitutes a reasonable basis will depend on the nature of the

underlying subject matter and other engagement circumstances. In some cases, a formal process with extensive internal controls may be needed to provide the measurer or evaluator with a reasonable basis that the subject matter information is free from material misstatement. The fact that the practitioner will report on the subject matter information is not a substitute for the measurer or evaluator's own processes to have a reasonable basis for the subject matter information.

15. Misstatement — A difference between the subject matter information and the appropriate measurement or evaluation of the underlying subject matter in accordance with the criteria. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions.

16. Misstatement of fact (with respect to other information)—Other information that is unrelated to matters appearing in the subject matter information or the assurance report that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing the subject matter information.

17. Other information — Information (other than the subject matter information and the assurance report thereon) which is included, either by law, regulation or custom, in a document containing the subject matter information and the assurance report thereon.

18. Practitioner's expert — An individual or organization possessing expertise in a field other than assurance, whose work in that field is used by the practitioner to assist the practitioner in obtaining sufficient appropriate evidence. A practitioner's expert may be either a practitioner's internal expert (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm), or a practitioner's external expert.

19. Professional judgment —The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.

20. Professional skepticism — An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.

21. Responsible party — The party(ies) responsible for the underlying subject matter. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. In many attestation engagements, the responsible party may also be the measurer or evaluator, and the engaging party.

22. Risk of material misstatement — The risk that the subject matter information is materially misstated prior to the engagement.

23. Subject matter information — The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter. In some cases, the subject matter information may be a statement that evaluates an aspect of a process, or of performance or compliance, in relation to the criteria. For example, “ABC’s governance structure conformed with XYZ criteria during the period ...”

24. Underlying subject matter—The phenomenon that is measured or evaluated by applying criteria.

APPENDIX 2

Illustrative Formats of Reports/Certificates

Note: The illustrative formats of assurance reports or certificates for special purposes given in Appendix 2 should be tailored by the practitioner to meet the specific circumstances and requirements of the engagement.

Illustration 1: Practitioner's Report for Turnover/Net Worth/Net Profit/Working Capital/similar engagement pursuant to a Tender requirement

The Board of Directors

[Name of the Company]

[Company Address]

Independent Practitioner's Report on the Statement of [Annual Turnover for financial years ended.....and..... (specify periods); Current Assets; Current Liabilities; Computation of Working Capital and Computation of Net worth as at..... (specify date)]

1. This Report is issued in accordance with the terms of our engagement letter/agreement dated
[specify date].
2. The accompanying Statement of Annual Turnover for financial years endedand..... (*specify period*) and the Statement of Current Assets; Current Liabilities; Working Capital and Net Worth as at (*specify date*) (hereinafter referred together as the "Statement") contains the details as required pursuant to compliance with the terms and conditions contained in *[refer to the clause]* of the Tender document issued by
[refer to the authority] dated (*specify date*) with reference *[specify the contract reference if*

available] (hereinafter referred to as the “Tender Document”), which we have initialled for identification purposes only.

Management’s Responsibility for the Statement

3. The preparation of the Statement is the responsibility of the Management of *[Name of the Company]* (hereinafter the “Company”) including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The Management is also responsible for ensuring that the Company complies with the requirements of the Tender Document and provides all relevant information to *[Name of the authority]*.

Practitioner’s Responsibility

5. Pursuant to the requirements of the Tender Document, it is our responsibility to provide a reasonable assurance whether:
 - i) the amounts in the Statement of Annual Turnover for the year ended *(specify period)* have been accurately extracted from the audited financial statements;
 - ii) the amounts in the Statement in respect of current assets and current liabilities that form part of the working capital computation have been accurately extracted from the audited financial statements for the year ended *(specify the period)* and the computation of working capital is arithmetically correct;
 - iii) the amounts in the Statement that form part of the Net Worth computation have been accurately

extracted from the audited financial statements for the year ended; and [month][date][year] and the computation of net worth is arithmetically correct; and

- iv) the computation of net worth and working capital is in accordance with the method of computation set out in the clause [] of the Tender Document.
- 6. The audited financial statements referred to in paragraph 5 above, have been audited by us, on which we issued an unmodified audit opinion vide our report(s) dated (specify dates) respectively. Our audits of these financial statements were conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- 7. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
- 8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

- 9. Based on our examination, as above, we are of the opinion that:
 - i) the amounts in the Statement in respect of Annual Turnover, Current assets and Current liabilities

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have been accurately extracted from the audited financial statements for the years ended [date] and [date];

- ii) the amounts that form part of the working capital and net worth computation have been accurately extracted from the audited financial statements for the years ended[specify date] and [specify date]; and that the computation of working capital and net worth in the Statement is mathematically accurate and is in accordance with the method of computation set out in the clause [] of the Tender Document.

Restriction on Use

10. The certificate is addressed to and provided to the Board of Directors of the Company solely for the purpose to enable comply with requirement of Tender Document and to submit the accompanying Statement to [specify the authority], and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For XYZ and Co.
Chartered Accountants
Firm's Registration Number

Signature
(Name of the Member Signing the Assurance Report)
(Designation³⁶)
Membership Number

Place of Signature
Date

³⁶ Partner or Proprietor, as the case may be.

Illustration 2: Auditor's Annual Activity Certificate for Indian Branch Office/Liaison Office of Foreign Companies

The Authorised Representatives,
[Name of the Branch Office/Liaison Office]
[Address]

Independent Auditor's Annual Activity Certificate for Indian Branch of [Name of the Foreign Company]

1. This Certificate is issued in accordance with the terms of our agreement dated [date].
2. [Name of the Indian Branch /Liaison Office], (the "Indian Branch"/ "Liaison Office/s") with PAN No. [Insert PAN Number of the Branch /Liaison Office/s] of [Name of the Foreign Company] (UIN [Insert UIN]) was established to undertake certain activities specifically permitted by the Reserve Bank of India (the "RBI") vide its approval letter/s No/s. [*] (the "letter/s").

Authorised Representatives' Responsibility

3. The Authorised Representatives of the Branch Office/Liaison Office are responsible for ensuring that the Indian Branch/ Liaison Office complies with the requirement of approval letter and for providing all relevant information to the RBI.

Auditor's Responsibility

4. Pursuant to the requirements of the RBI Master Circular No. 7 dated July 02, 2012 (the "Circular"), our responsibility is to express reasonable assurance in the form of an opinion based on our audit and examination of books and records as to whether the Indian Branch/ Liaison Office/s has/ have undertaken only those activities that have been specifically permitted by the RBI and has/ have complied with the specified terms and conditions.
5. We audited the financial statements of [Name of the Indian Branch /Liaison Office] as of and for the financial year ended

31 March XXXX, on which we issued an unmodified audit opinion vide our reports dated (specify date). Our audits of these financial statements were conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

6. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on our audit of financial statements for the year ended 31 March 20XX and the information and explanations given to us, we are of the opinion that the [Name of the Branch /Liaison Office/s] has/ have³⁷ undertaken only those activities during the period from [month] [date], [year] to [month] [date] that have been specifically permitted by the Reserve Bank of India, vide its approval letter/s³⁸ No/s³⁹ [] dated [month][date], [year] and has/have⁴⁰ complied with the terms and conditions specified in the above mentioned letter/s.

³⁷ As Applicable

³⁸ As Applicable

³⁹ As Applicable

⁴⁰ As Applicable

Restriction on Use

9. This certificate has been prepared at the request of the [Name of the Branch Office/Liaison Office] solely with reference to the Circular, as amended from time to time. It should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing.

For XYZ and Co.
Chartered Accountants
Firm's Registration Number

Signature
(Name of the Member Signing the Assurance Report)
(Designation⁴¹)
Membership Number

Place of Signature
Date

⁴¹ Partner or Proprietor, as the case may be.

Illustration 3: Auditor's Report on the Manner of Utilization of Funds required under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Board of Directors

[Name of the Company]

[Company Address]

Independent Auditor's Report on the manner of utilization of the funds including for purposes other than those stated in the offer document

1. This report is issued in accordance with the terms of our agreement dated [●].
2. The accompanying Statement contains details of manner of the utilization of funds including funds utilized for purposes other than those stated in the offer document for the Rights Issue (the "Statement"), as required by the Clause 32(5) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, by the [Name of the Company] (the "Company"), which we have initialled for identification purposes only. The Funds were raised by the Company pursuant to the rights issue of [*] equity shares of face value of Rs. [] each, at a premium of Rs. [*] each, aggregating to Rs. [*].

Managements' Responsibility for the Statement

3. The preparation of the accompanying Statement is the responsibility of the Management of the Company. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The Management is also responsible for ensuring that the Company complies with the requirements of the Equity Listing

Agreement and for providing all relevant information to the Securities and Exchange Board of India.

Auditor's Responsibility

5. Pursuant to the requirements of the Equity Listing Agreement, it is our responsibility to obtain reasonable assurance and form an opinion as to whether the Statement is in agreement with the [audited financial statements for the year ended [and books and records]⁴² of the Company].⁴³
6. The financial statements referred to in paragraph 5 above, have been audited by us on which we issued an unmodified audit opinion vide our reports dated [month][date][year]. Our audits of these financial statements were conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits were not planned and performed in connection with any transactions to identify matters that may be of potential interest to third parties.
7. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for

⁴² Strike off, if not applicable

⁴³ If the audited financial statements of the entity are not available, it may not be possible for the practitioner to provide reasonable assurance on the utilization of funds by the entity. However, in case the practitioner is required to issue a report, the practitioner should consider providing a limited assurance report. Reference should be made to paragraph 80 of this Guidance Note, which specifies the requirements to be complied with by the while preparing an assurance report that expresses a limited assurance.

Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

9. Based on our examination as above, and the information and explanations given to us, in our opinion, the Statement is in agreement with the audited financial statements for the year ended of the Company and fairly presents, in all material respects, the manner of the utilization of funds including funds utilized for purposes other than those stated in the offer document.

Restriction on Use

10. This report is addressed to and provided to the Board of Directors of the Company solely for the purpose of enabling it to comply with its obligations under the Equity Listing Agreement to submit the accompanying Statement to the Audit Committee accompanied by a report thereon from the statutory auditors and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For XYZ and Co.
Chartered Accountants
Firm's Registration Number

Signature
(Name of the Member Signing the Assurance Report)
(Designation⁴⁴)
Membership Number

Place of Signature
Date

⁴⁴ Partner or Proprietor, as the case may be.

Illustration 4: Practitioner's Report on Statement of Fixed Assets for the Last Two Years in Respect of One of the Project of an Entity

The Board of Directors

[Name of the Company]

[Company Address]

Independent Practitioner's Report on Statement of Fixed Assets

1. This report is issued in accordance with the terms of our agreement dated [date].
2. The accompanying Schedule of Fixed Assets as at [date] and [date] has been prepared by M/s xxx (the "Company") in respect of its project at [ABC] (the "Statement"), pursuant to the requirement of 'Annexure B' of the application filed by the Company with the (specify the name of the relevant authority) for availing Fixed Capital Investment Subsidy relating to the new plant commissioned at xxx. We have initialled the Statement for identification purposes only.

Management's Responsibility

3. The accompanying Statement, including the creation and maintenance of all accounting and other records supporting its contents, is solely the responsibility of the Management of the Company. The Company's Management is responsible for the designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The Company's Management is also responsible for ensuring that the Company complies with the requirements of the Scheme and for providing all relevant information to the (name of the authority).

Practitioner's Responsibility

5. It is our responsibility to report on the Statement based on our examination of the matters in the Statement with reference to the books of account and other records of the Company for the years ended [dates], which have been subjected to audit pursuant to the requirements of the Companies Act, 2013.
6. The financial statements for the financial years ended [dates], have been audited by us on which we issued an unmodified audit opinion *vide* our reports dated [month][date][year]. Our audits of these financial statements were conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits were not planned and performed in connection with any transactions to identify matters that may be of potential interest to third parties.
7. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

9. Based on our examination, as above, and the information and explanations given to us, we report that the Statement is in agreement with the books of account and other records of the Company as produced to us for our examination.

Restriction on Use

10. This report has been issued at the request of the Board of Directors of the Company, for submission to _____ (name of the authority) pursuant to the requirements of the Scheme. Our report should not be used for any other purpose or by any person other than the addressees of this report. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

For XYZ and Co.
Chartered Accountants
Firm's Registration Number

Signature
(Name of the Member Signing the Assurance Report)
(Designation⁴⁵)
Membership Number

Place of Signature
Date

⁴⁵ Partner or Proprietor, as the case may be.