ICSI Auditing Standards

CSAS-1
Auditing Standard on Audit Engagement

CSAS-2
Auditing Standard on Audit Process and Documentation

CSAS-3
Auditing Standard on Forming of opinion

CSAS-4
Auditing Standard on Secretarial Audit

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CSAS-1
Auditing Standard on Audit Engagement

Applicability:

1. Applicable to Auditor undertaking Audit Engagement under any Statute.
2. CSAS-1 deals with the Auditor's role and responsibilities w.r.t Audit Engagement and the process of entering into an understanding/agreement with the Appointing Authority.

Effective Date:

It's depends upon the acceptance of Audit Engagements:

CSAS-1 is effective and recommendatory for Audit Engagements accepted by Auditor on or after 1st July, 2019.

CSAS-1 is mandatory for Audit Engagements accepted by the Auditor on or after 1st April, 2020.

Objective:

CSAS-1 is to prescribers for Auditors, principles and procedures to be followed while accepting or continuing with an Audit Engagement by agreeing to the terms of Engagement with the Appointing Authority or changes therein and matters relating thereto.

Definitions:

Appointing Authority: any person having authority to appoint Auditor.

Audit Engagement: means-

1. Detailed terms of appointment,
2. Scope of Audit,
3. Remuneration and limiting conditions, if any.

Auditee: a person who subject to Audit.

Auditor: means-

1. A Company Secretary in practice under Section 2 (2) of Company Secretaries Act, 1980, including,
2. A firm or,

3. A LLP registered with ICSI.

Management: means-

1. Board of Directors and,
2. Person who has been entrusted with the responsibility of governance and compliances of the Auditee.

Predecessor or Previous Auditor:

an Auditor who has conducted the most recent audit assignment of the Auditee and submitted report thereon prior to the incumbent Auditor or was engaged but did not complete the audit assignment due to his resignation, termination or otherwise.

1. Audit Engagement Process

Steps with respect to the Audit Engagement:

Appointment:

1. Appointment shall be as per law, act, rules, regulations, standards and guidelines, or
2. in case no such manner has been prescribed, such appointment shall be made in the manner determined by the Appointing Authority.
3. The Auditor shall submit a Certificate to the Appointing Authority confirming eligibility for appointment as Auditor.
4. The Auditor shall obtain an Audit Engagement Letter along with a copy of the resolution, if any, passed by the Appointing Authority and shall provide acceptance to the Appointing Authority.

Audit Engagement Letter: includes-

1. The objective and scope of the audit;
2. The responsibilities of the Auditor and the Auditee;
3. Written representations provided and/or to be provided by the Management to the Auditor, including particulars of the Predecessor or Previous Auditor;
4. The period within which the audit report shall be submitted by the Auditor, along with milestones, if any;
5. The commercial terms regarding audit fees and reimbursement of out of pocket expenses in connection with the audit; and
6. Limitations of audit, if any.

Intimation to the Predecessor or Previous Auditor:

The Auditor shall intimate in writing to the Predecessor or Previous Auditor, if any, before accepting the Audit Engagement.

2. Limits on Audit Engagements

The Auditor shall accept Audit Engagements within the limits of number of audits, if any, as may be prescribed under any law for the time being in force or by the ICSI from time to time.

3. Conflict of Interest

The Auditor shall not have any substantial conflict of interest with the Auditee.

Explanation:

Conflict of Interest means:

Ownership

Auditor singly or along with Relatives, any of whom is either dependent financially on such person, holds more than 2% in the paid-up share capital or shares of nominal value of Rs. 50,000, whichever is lower or more than 2% voting power

Financial Interest

Auditor is indebted to the Auditee for an amount of five lakh rupees or more.

Past Employment Relationship

Auditor was in employment of the Auditee, its holding or subsidiary company and 2 (two) years have not lapsed from the date of cessation of employment.

4. Confidentiality

1. The Auditor shall not disclose the information obtained during the course of Audit without proper and specific authority or unless there is a legal obligation or duty to disclose.

2. The Auditor shall not use or share with any person any information obtained except for the purposes of audit.

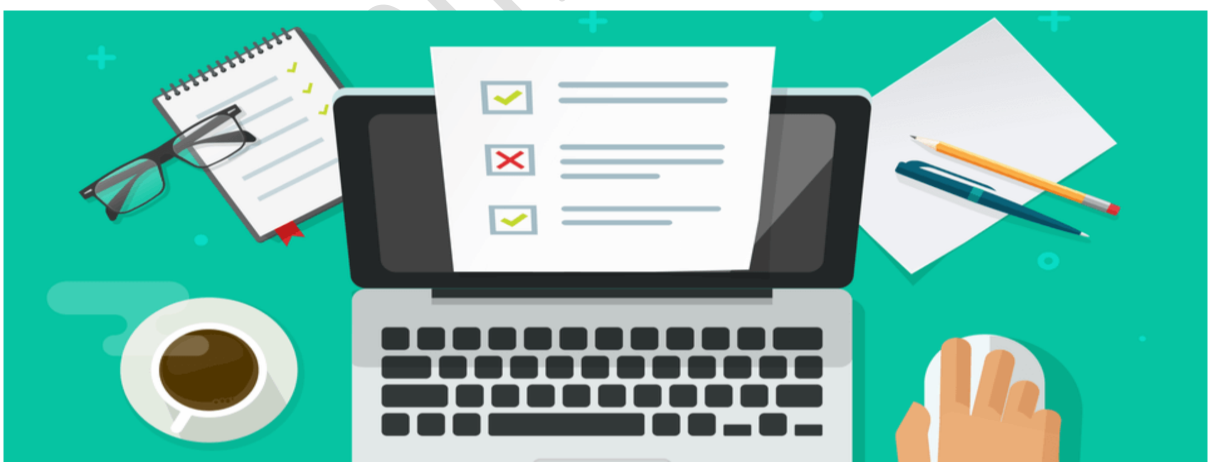
3. The Auditor shall take all reasonable steps to ensure that employees, staff and other team members of the Auditor and persons engaged by the Auditor to provide advice or assistance during the conduct of audit, shall also adhere to the Auditor's duty of confidentiality.

5. Changes in terms of engagement

1. The Auditor shall not agree to a change in the terms of the Audit Engagement where there is no reasonable justification for doing so.

2. If before completion of the assignment, the Auditor is requested by the Appointing Authority to change the scope of engagement, resulting in a lower level of assurance, the Auditor shall consider the appropriateness of carrying out the same.

3. If the terms of the Audit Engagement are changed, the Auditor and the Appointing Authority shall agree on the new terms of the engagement by way of a supplementary/revised engagement letter or any other suitable form in writing.



CSAS-2

Auditing Standard on Audit Process and Documentation

Applicability:

CSAS-2 deals with responsibilities and duties of the Auditor with respect to Audit Process in conducting audit and maintaining proper audit records.

Objective:

(i) to conduct audit as per the specified audit process;

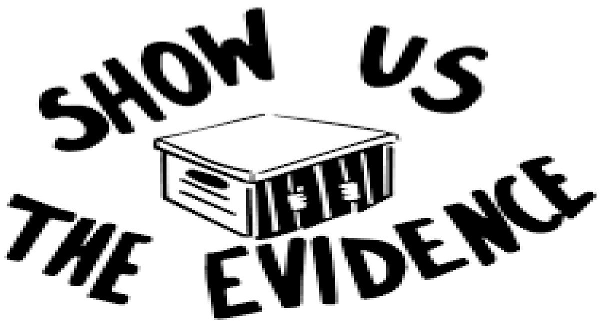
(ii) to maintain documentation that provide:

A. sufficient and appropriate record to form the basis for the Auditor's Report; and

B. evidence that the audit was planned and performed in accordance with the applicable Auditing Standards and statutory requirements.

Audit Documentation

working papers prepared or records obtained by the Auditor in connection with the audit.



Audit Evidence

relevant information and documents gathered in the course of the audit for arriving at the conclusion on which the Auditor's opinion is based.

Audit Planning: Audit planning means establishing and developing an overall audit process, including but not limited to:

- Identification of broad audit areas;
- Seeking previous audit findings and observations from the Management and the Predecessor or Previous Auditor, in case of change of Auditor;
- Determination of subject matters/audit areas requiring special attention,
- Risk Assessment and Materiality,
- Audit technique;
- Allocation of audit resources for the audit;
- Preparation of audit schedule.

Risk Assessment: The Auditor shall evaluate high risk areas/activities.

- Internal control systems and processes of the Auditee for adherence to the constitutional documents, applicable laws, rules, regulations and standards;
- Transparency, prudence and probity; and
- Changes/Attrition in the compliance team and frequency of such changes and attrition.

Information about the Auditee:

sufficient information about the Auditee that is relevant for conduct of audit and forming an opinion and its expression

Audit Checklists:

The Auditor shall use systematic and comprehensive audit check-lists for carrying out the audit and to verify the compliance requirements.

Collection and Verification of Audit Evidence

- The Auditor shall verify compliance with applicable laws, rules, regulations and standards.
- The Auditor shall obtain complete, relevant and necessary evidence to support the opinion
- The process of gathering and evaluating evidence shall continue until the Auditor is satisfied that sufficient and appropriate evidence exists to provide a basis for formation of the Audit Opinion.

Third Party Confirmation:

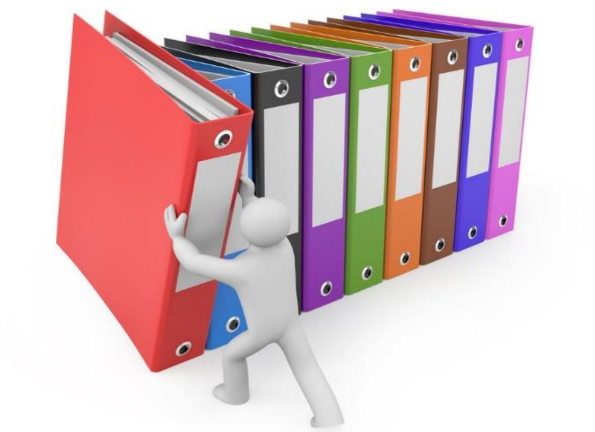
The Auditor shall obtain confirmations from third party(ies), wherever required, with respect to information which is related to such party(ies).

Analysis of Audit Evidence:

- The Auditor shall evaluate the Audit Evidence to arrive at the conclusion.
- While evaluating evidence, if the Auditor finds that Audit Evidence is conflicting, the Auditor shall assess the extent and credibility of conflicting evidence in order to reach a conclusion or collect more evidence to resolve the conflict.

Documentation:

- Auditor shall adequately document the Audit Evidence in working papers, including the basis and extent of planning, work performed and the findings of audit.
- Documentation shall contain sufficient information to enable an Auditor, having no previous connection with the audit, to ascertain from such documentation, the significant findings and conclusions of the Auditor.
- Audit Documentation shall take place throughout the audit process. Working papers shall be complete and appropriately detailed to provide a clear trail of the audit. Audit Documentation shall be properly indexed, referenced with and supplemented by the set of working papers.
- The Auditor shall also document discussions with the Management with respect to significant matters in respect of which written record is not available.



Record Keeping and Retention

- The Auditor shall establish policies and procedures for retention of Audit Documentation.
- The Audit Documentation shall be collated for records within a period of 45 days from the date of signing of Auditor's Report.
- The Audit Documentation shall be maintained in physical or electronic form and retained for a period of 8 years from the date of signing of Auditor's Report.

CSAS-3

Auditing Standard on Forming of Opinion

Applicability:

CSAS-3 deals with basis and manner for forming Auditor's opinion on subject matter of the audit.

Objective:

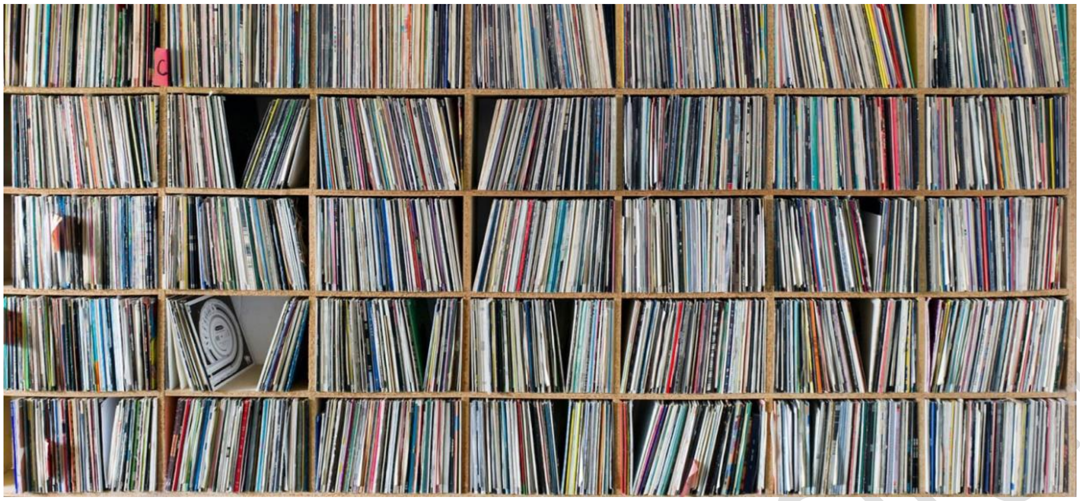
To enable the Auditor to lay down the basis and manner for evaluation of the conclusions drawn from the Audit Evidence obtained and express the opinion through written report.

Misstatement:

any information or statement which is false, incorrect, incomplete, misleading, misrepresents or omits or suppresses a material fact.

Materiality:

missing or incorrect information is considered to have an impact on the decision making of the Auditor. Information is considered as material if its omission or misstatement could influence the opinion of the Auditor. Materiality can also be construed in terms of net impact.



Records:

- Memorandum and Articles of Association, byelaws or any other constitutional documents;
- Memorandum and Articles of Association, byelaws or any other constitutional documents;
- Books and papers including books of accounts, deeds, vouchers;
- Agreements, Memorandum of Understanding;
- Other documents maintained by the Auditee either in physical or electronic form; and
- Correspondence.

Process for forming of opinion:

The Auditor shall consider Materiality while forming his opinion and adhere to-

Principle of completeness

The Auditor to consider all relevant Audit Evidence before issuing a report;

Principle of objectivity

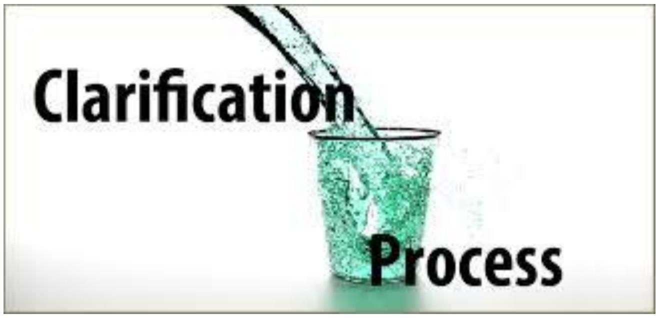
The Auditor to apply professional judgment and scepticism in order to ensure that all reports are factually correct, and that findings or conclusions are presented in a relevant

Principle of timeliness

preparing the report in due time

Principle of a contradictory process

Checking the accuracy of facts and incorporating responses from concerned persons.



Judgment, Clarification and Conflicting Interpretation:

The Auditor may consider various judgments, clarifications, opinion, conflicting interpretations while framing the opinion to the best of his professional acumen.

Precedence and Practices:

The Auditor shall adhere to generally accepted precedence and practices in relation to forming of an opinion as may be available from historical perspective of any kind of audit.

Third Party Report or Opinion:

- The Auditor shall indicate the fact of use of Third-Party report or opinion and shall also record the circumstances necessitating the use of third-party report or opinion;
- The Auditor shall indicate the fact if Third Party report or opinion is provided by the Auditee;
- The Auditor shall consider the important findings/ observation of Third Party;
- The Auditor shall, if necessary and feasible, carry out a supplemental test to check veracity of the Third-Party report or opinion.

What is your opinion?

Form of an Opinion and Qualification

Unmodified Opinion

- due compliance with the applicable laws in terms of timelines and process
- the records as relevant for the audit verified by him as a whole are free from misstatement and maintained in accordance with the applicable laws.

Modified Opinion

- there is non-compliance with the applicable laws in terms of timelines and process;
- the Records as a whole are not free from Misstatement; or are not maintained in accordance with applicable laws
- he is unable to obtain sufficient and appropriate Audit Evidence to conclude that there is due compliance with the applicable laws in terms of timelines and process
- unable to obtain sufficient and appropriate Audit Evidence to conclude that the Records as a whole are free from Misstatement

Limitation

The Appointing Authority imposes a limitation on the scope of the audit which, in the opinion of the Auditor, is likely to result in the need to express a modified opinion or to disclaim an opinion, the Auditor shall request the Appointing Authority to remove the limitation.

If the Appointing Authority refuses or fails to remove the limitation, the Auditor shall communicate the matter to the Management and determine whether it is possible to perform alternative procedure to obtain sufficient and appropriate Audit Evidence.

If the Auditor is unable to obtain sufficient and appropriate Audit Evidence, the Auditor shall determine the implications as follows:

- If the Auditor concludes that the possible effects of unavailable Audit Evidence could be non-material, the Auditor shall qualify the opinion
- If the Auditor concludes that the possible effects of unavailable Audit Evidence could be material, the Auditor shall express disclaimer of opinion.

Auditor's Responsibility

Auditor's Report shall state that the responsibility of the Auditor is to express opinion on the compliance with the applicable laws and maintenance of records based on audit. The Auditor's Report shall also state that the audit was conducted in accordance with applicable Standards.

The Auditor's Report shall also explain that those Standards require that the Auditor comply with statutory and regulatory requirements and plan and perform the audit to obtain reasonable assurance about compliance with applicable laws and maintenance of records.

Auditor's Report shall state that due to the inherent limitations of an audit including internal, financial and operating controls, there is an unavoidable risk that some material misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with the Standards.

Format of Report

The report shall be detailed enough to serve its intended purpose. Where specific formats (like MR-3 for Secretarial Audit Report) are prescribed, those formats shall be followed for reporting

Signature block shall mention the name of the audit firm along with the registration number, if any, the name of the Auditor, certificate of practice number, the membership number of the Auditor, specifying whether associate or fellow member, as applicable. The Auditor shall clearly mention date and place of signing the report, in case report is signed by two different persons on different dates or different places; same shall be mentioned in the report.

CSAS-4

Auditing Standard on Secretarial Audit

Applicability:

CSAS-4 is applicable to the Auditor undertaking Secretarial Audit under Section 204 of the Companies Act, 2013 and rules made thereunder. The Standard deals with basis and manner for carrying out the Secretarial Audit.

Objective:

To lay down the principles for evaluation of statutory compliances and corporate conduct in relation thereto.

Adherence to other Auditing Standards:

The Auditor shall adhere to the Auditing Standards on – (a) Audit Engagement (CSAS-1); (b) Audit Process and Documentation (CSAS-2); and (c) Forming of Opinion (CSAS-3).

Identification and segregation of applicable laws:

The Auditor shall take note of the industry specific laws and other laws as may be applicable to the Auditee based on the identification/segregation by the Management and his own verification.

Verification of corporate conduct and compliance of laws

Identification of Events/Corporate Actions

- The Auditor shall identify events/corporate actions that took place during the audit period. The identification shall be made by reviewing the website of the regulators, website of the Auditee, statutory records including books and papers, interaction with the Management and in any other appropriate manner.

Verification of Compliance

- The Auditor shall verify all event and calendar-based compliances from the Records of the Auditee, database or website of the regulators and other relevant sources.

Board Composition

- Overall composition of the Board including the minimum and maximum strength of the Board.
- Optimum combination of the Board including proportion of executive, non-executive, independent, non-independent, retiring, non- retiring, woman and nominee director.
- Eligibility criteria including disqualifications of directors.
- The constitution and composition of Committees of the Board.

Board Processes

- The Auditor shall verify that the decisions of the Board and its Committees are taken and recorded in compliance with applicable laws, rules, regulations, guidelines, standards and defined internal processes, if any.

Verification of corporate conduct and compliance of laws

System and Process

The Auditor shall assess the efficacy and adequacy of the system and processes of the Auditee commensurate with its size and operation for verifying compliance of applicable laws, rules, regulations, standards, guidelines and defined internal processes, if any by:

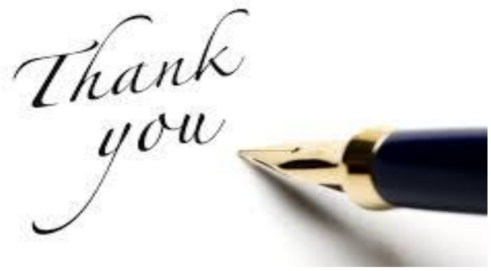
- Reviewing records maintained by the Auditee.
- Understanding compliance responsibility centers, control points, matrix, flow of information, escalation of non-compliances to different levels, reporting of any noncompliance.
- Assessing compliance mechanism and understanding its extent, coverage and severity mapping. The Auditor shall also assess compliance manual/standard operating procedures, if any, available with the Auditee.
- Analysing instances of show cause notices received, prosecution initiated, fine or penalties levied, imprisonment ordered, qualification, adverse remark or observations in the statutory, internal or industry specific audit, orders passed by regulatory bodies or judicial/quasi-judicial authorities.

Reporting of Fraud

- If the Auditor has sufficient reason to believe that there is commission of fraud and have justifiable grounds for the same, he shall report to Audit Committee/Board/Central Government as per the process laid down under the Companies Act, 2013 and include the same in Secretarial Audit Report.

- The Auditor shall verify whether the Audit Committee/ Board has given any comments on the fraud reported by the auditors in their report in terms of the provisions of the Companies Act, 2013.

- The Auditor shall verify if the fraud detected by other Auditor has been reported to the Audit Committee/Central Government and report the same in the Secretarial Audit Report.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