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# Reports & Certifications for special purposes

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**Webinar of The Chamber of Tax Consultants**

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**September 4, 2019**

# The framework



- ICAI Guidance Note on Reports and Certificates for Special Purposes
- Issued in 2016
  - Supercedes the guidance note issued in 1984
- Purpose
  - to provide guidance on engagements which require a 'professional accountant in public practice' (hitherto known as "practitioner") to issue reports other than those which are issued in audits or reviews of historical financial information.
  - 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)

# Levels of assurance

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- Absolute
  - indicates that a practitioner has performed procedures as considered appropriate to reduce the engagement risk to zero
  
- Reasonable
  - about whether the subject matter of examination is materially misstated
  
- Limited
  - nothing has come to the practitioner's attention that causes the practitioner to believe that the subject matter is materially misstated

# Levels of assurance



## ■ Engagement Risk

- The risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated
- Assurance engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated (Para 47-48 and Para 51 of the Framework for Assurance Engagements)

- **A practitioner is not expected to reduce the engagement risk to zero.**

# Levels of assurance...



- Procedures a practitioner performs have inherent limitations attached to them:-

(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 evidence 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 judgment in gathering and evaluating evidence and forming conclusions based on that evidence;  
(g) in some cases, the characteristics of the underlying subject matter when evaluated or measured against the criteria;  
and  
(h) the need for the engagement to be conducted within a reasonable period of time and at a reasonable cost.

# Levels of assurance...

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- Hence, 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**

- Guidance Note (GN) applies to assurance engagements other than audits and reviews
- GN does not apply to assurance engagements for which subject specific Standards on Assurance Engagements have been issued
- GN can also be applied on reports and certificates historical non-financial information
- GN principles can be applied to certain assurance engagements on which ICAI has issued subject specific guidance

# objectives



- Obtain either a reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement
- Express in writing along with the basis for conclusion:-
  - an opinion in case of reasonable assurance
  - a conclusion in case of a limited review
- If subject matter information has many aspects, each of them can have a different opinion
  - Such opinions need not be on same level of assurance
- To communicate further as required by the GN
- Opinion / conclusion can be qualified or disclaimed in appropriate circumstances
- Practitioner can withdraw or resign from engagement where it is possible under applicable law or regulation



# Ethical and QC requirements



- Requirements of paras 4 and 5 of Framework of Assurance Engagements need to be complied with by the Practitioner
  - Requirements of CA Act, 1949
  - Code of Ethics
    - Integrity
    - Objectivity
    - Professional competence and due care
    - Confidentiality
    - Professional behaviour
  - Other relevant pronouncements of ICAI
  - Standards on Quality Control (SQC)

# Engagement requirements



- Engagement Acceptance and Continuance
  - Comfort that ethical requirements will be satisfied
  - Availability of appropriate competence and capabilities to perform
  - Preconditions are present
  - Common understanding between practitioner and engaging party, including practitioner's reporting responsibilities
- Preconditions for the Assurance Engagement
  - Appropriateness of roles & responsibilities of appropriate parties
  - Existence of following characteristics:-
    - Appropriateness of underlying subject matter
    - Criteria that practitioner's expects to apply is suitable for engagement & available for intended users
    - Practitioner expects to obtain evidence to support the opinion / conclusion

# Engagement requirements



- Limitations on Scope Prior to Acceptance of the Engagement
  - Subject to requirements of law Practitioner should not accept the Engagement if he believes that it would lead to a disclaimer of opinion / conclusion
- Agreeing on Terms of the Engagement
  - It is interest of both parties to have the agreement in writing
  - 10 minimum requirements are specified in the GN
  - If Engagement is recurring then Practitioner needs to determine the Terms need to change and if so, remind the engaging parties
- Acceptance of a Change in the Terms of the Engagement
  - There has to be a reasonable justification for the change
  - Evidence gathered before should not be disregarded

# Assurance report prescribed by law & regulation



- Layout and wordings are prescribed by law in some cases
- Practitioner needs to evaluate:-
  - Whether intended users might misunderstand assurance conclusion
  - And if so, whether additional explanation in assurance report can mitigate possible misunderstanding
- In case Practitioner evaluates misunderstanding cannot be mitigated, then, subject to requirements of law and regulation, should not accept the engagement

# Assurance report prescribed by law & regulation...



- Steps to be taken by the Practitioner:-
  - Discuss with engaging party
  - Provide draft of the assurance report that includes wording as per GN
  - If engaging party does not agree, then Practitioner has to consider withdrawing from the engagement
  - In case concerned authorities reject the format, then:-
    - Obtain evidence of rejection and make it part of engagement documentation
    - Issue report in format prescribed by law & regulation
    - Practitioner can also consider enclosing a statement incorporating the requirements of the GN
    - Enclosure should include a para that report submitted earlier has been rejected

- Professional Skepticism, Professional Judgement and Assurance Skills and Techniques
- Planning
  - Consider scope and timing
  - After acceptance if circumstances have changed then Practitioner should discuss with concerned parties and decide course of action, including, if necessary, withdrawal from the Engagement
- Materiality
  - Factor during planning stage
  - It is not affected by level of assurance – reasonable or limited, materiality is the same
  - Qualitative factors
  - Quantitative factors

# Execution...



- Understanding Underlying Subject Matter → making inquiries
  - Any knowledge of actual, suspected or alleged intentional mis-statement
  - Any knowledge of non-compliance of law and regulations affecting subject matter
  - Existence of internal audit & work done by them with regard to the subject matter
  - Whether work done by experts
- Obtaining Evidence
  - Basis the above findings the Practitioner needs to determine the kind of evidences required to be obtained
  - Also determine if any additional procedures are required to be done
  - Quality of evidence to be determined
    - Consistency between evidences from different sources
    - Reliability of the evidence

# Execution...



- Work performed by Practitioner's Expert
  - Capability of expert
  - Agree terms with expert
  - Evaluate the work done by the expert and the objectivity involved therein
  
- Work performed by Others → another Practitioner, Responsible Party's or Measurer's or Evaluator's Expert or Internal Auditor
  - Generally follow on similar lines as Practitioner's Expert



# Execution...



## ■ Written Representations

- All information relevant to the engagement has been provided
- Confirming the measurement or evaluation of the underlying subject matter
- Material representations to be evaluated against evidences obtained
- Persons making representations are well informed on the subject matter
- If written representations are not provided or not reliable, then Practitioner should re-evaluate and re-perform

# Execution...



- Subsequent Events
  - Practitioner has to determine whether any subsequent events have an impact on the subject matter and the assurance report
  - Once assurance report is issued there is no responsibility of performing any procedures
- Other Information
  - In case the subject matter information is accompanied by other information then the Practitioner has to read the same and determine whether
    - there is any material inconsistency between OI and Assurance Report or material misstatement of facts in OI,
    - he then needs to discuss with appropriate parties and take further appropriate action

# Execution...



- Description of Applicable Criteria
  - Advises intended users of the framework on which subject matter information is based
- Forming the Assurance Opinion / Conclusion
  - Sufficiency and appropriateness of the evidence obtained
  - Evaluate whether uncorrected mis-statements are material, individual or in aggregate

# Report



- Preparing
  - Written
  - Contains a clear expression of Practitioner's Opinion / Conclusion
  - Opinion / Conclusion should be distinct from any EoM or Other Matters included in the report
  - GN does not prescribe a format but identifies the basic elements necessary to be included in the report
  - Practitioner may use headings, paragraph numbers, bold or italics text to enhance clarity & readability

# Report → contents...



- Title
- Addressee
- Identification or description of level of assurance, subject matter information and when appropriate, the underlying subject matter
- Identification of the applicable criteria
- Any significant inherent limitations
- Identify the responsible party and the measurer or evaluator, if different and describe their responsibilities and the Practitioners
- State that engagement was performed in accordance with the GN
- State that SQC 1 has been applied
- State that Practitioner is independent and complies with Code of Ethics

# Report → Contents...



- Informative summary of work performed
- Opinion / Conclusion → 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.”**

# Report → contents...



- In case of modified opinion / conclusion:-
  - Description of the modification
  - Modified opinion / conclusion
- Practitioner's signature - firm name, partner name, firm registration number, partner membership number
- UDIN
- Date of assurance report

# Report...



- Reference to Practitioner's Expert → should not imply that Practitioner's responsibility is reduced
- Assurance Report Prescribed by Law and Regulation
  - Report should refer to the GN only if the basic elements required by the GN are identified in the Report
- Unmodified and Modified Opinion / Conclusions → GN recognizes that
  - Opinion / Conclusion could be unmodified, draw attention through an EoM
  - If modified, then qualified, adverse or a disclaimer
- Other Communication Responsibilities
  - Practitioner has to determine whether, pursuant to the terms of engagement and other engagement circumstances, any matter that come to attention that needs to be communicated to the recipient of the Report



- Documentation
  - The nature, timing and extent of the procedures performed to comply with the Guidance Note and applicable legal and regulatory requirements;
  - The results of the procedures performed, and the evidence obtained; and
  - Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions
  - Should comply with SQC 1 – timely completion of the assembly of engagement files, ordinarily 60 days
  - Needs to be retained for no shorter than 7 years from completion of the engagement
- Appendix 1 – Glossary
- Appendix 2 – Illustrative Formats

# Unique Document Identification Number



- UDIN → set up by the ICAI to ensure identification of any certificate / attest document issued by a practicing CA
- 18 digit unique number that needs to be inserted along with the signing block
- Mandatory from February 1, 2019 for all certificates issued; from July 1, 2019 for all audit reports issued
- Secure → can only be seen by the CA and regulator / stakeholder only if they are in possession of the UDIN
- FAQ has an illustrative lists of certificates and a note that certificates includes Reports issued in lieu of Certificates under the GN
- Presently, UDIN can be generated within 15 days of issuance of document
- <https://udin.icaai.org>

# Thank You

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