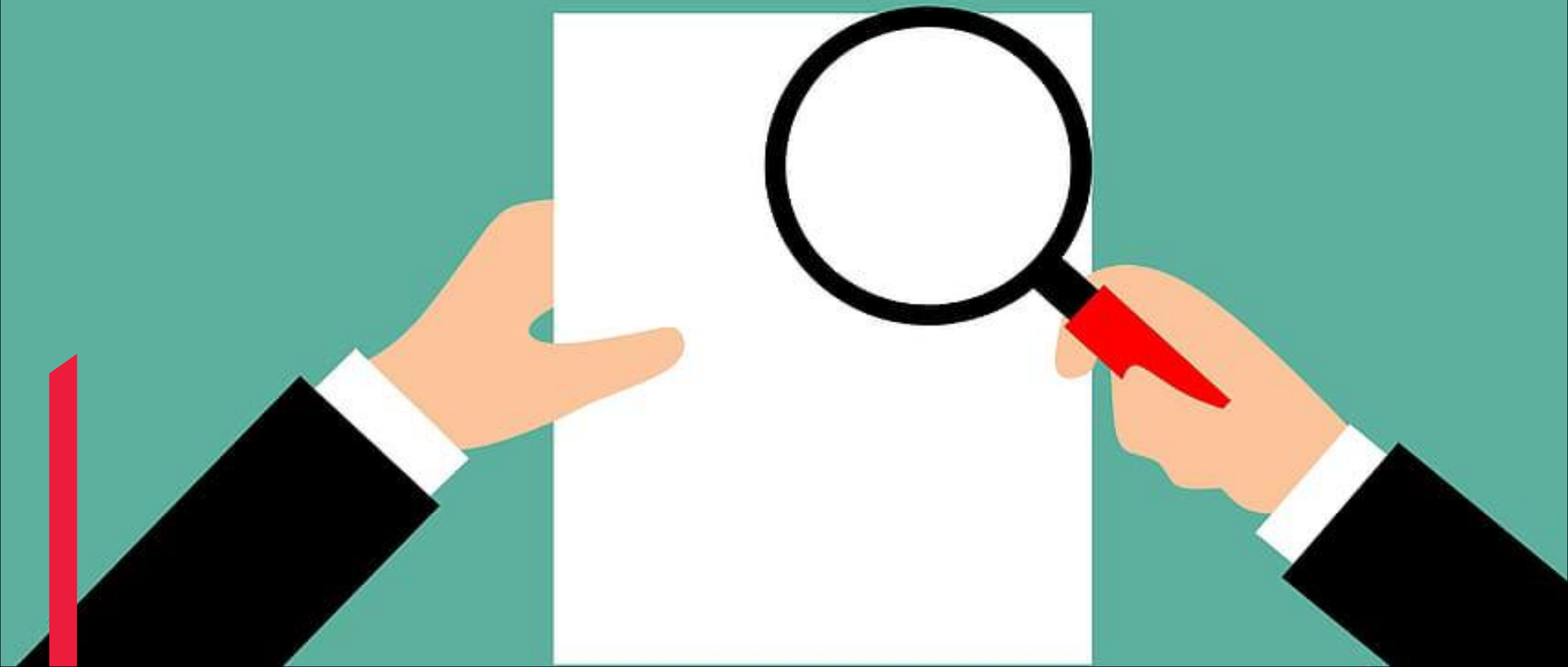


# Certification Engagements



# Agenda

- Background
- Types of certificate
- Certificate Format
- Common Certificates
- Documentation
- Implications of a Modified Audit Opinion on the Financial Statements
- General Points
- AUP v/s Certificates



# Background

- The AASB of the ICAI issued the ‘Guidance Note on Audit Reports and Certificates for Special Purposes’ in the year 1984. The same was thoroughly revised in the year 2016.
- The revised Guidance Note was initially developed by an expert group constituted by the Board for this purpose and thereafter it was finalized with the contribution of the Board members and the members of the Council of ICAI
- 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.
- The Guidance note provides guidance on engagements which require to issue reports other than those which are issued in audits or historical financial information (i.e. SAs and SREs and SRS)



# Type Of Certificates- Based on Assurance

## Reasonable Assurance

- Give a report in form of a positive assurance (Direct)
- Nature, timing and extent of procedures **more extensive**
- Obtain an understanding of internal control over the preparation of the subject matter information. Address risk of misstatement.

## Limited Assurance

- Give a report in form of a negative assurance (Indirect)
- Nature, timing and extent of procedures **moderate**
- Consider the process used to prepare the subject matter information.

# Type Of Certificates- Based on Assurance

## Points to consider to decide type of assurance i.e. Reasonable or Limited

the nature of financial reporting, the use of selective testing, the inherent limitations of internal controls;

the fact that much of the evidence available to the practitioner is persuasive rather than conclusive

the nature of procedures to be performed in a specific Situation

the use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence

in some cases, the characteristics of the underlying subject matter when evaluated or measured against the criteria

the need for the engagement to be conducted within a reasonable period of time and at a reasonable cost

# Type Of Certificates- Based on Assurance

## Points to be kept in mind

In case insufficient and inappropriate evidence- issue qualified opinion/ conclusion

A qualified opinion/conclusion is insufficient in the circumstances - Practitioner can disclaim an opinion / a conclusion or withdraw (or resign) from the engagement.

An inability to obtain sufficient appropriate evidence to form a reasonable assurance- is not an acceptable reason to change the type of assurance to limited assurance

Consider Materiality on Quantitative & Qualitative Factors

Professional judgments about materiality is not affected by the type of assurance

# Format of Certificate

## Title

- Indicate “Independent Practitioner/Auditor Certificate”

## An addressee

- Identify the party or parties to whom the certificate is directed

## Subject matter information-

- Point in time or period of time

## Identification of the applicable criteria

- Against which the underlying subject matter was measured or evaluated

## Management Responsibility

## Auditor’s/Practitioner’s Responsibility

## Informative summary of the work performed

A statement that the engagement was performed in accordance with this Guidance Note.

A statement that the firm, of which the practitioner is a partner has applied SQC 1

# Format of Certificate

## Practitioner's opinion/conclusion

- Reasonable Assurance - Positive
- Limited Assurance - Negative

## Forms of Conclusion -

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

Firm name

Firm Registration No.

Auditor's/practitioner's Name & Signature.

Membership No.

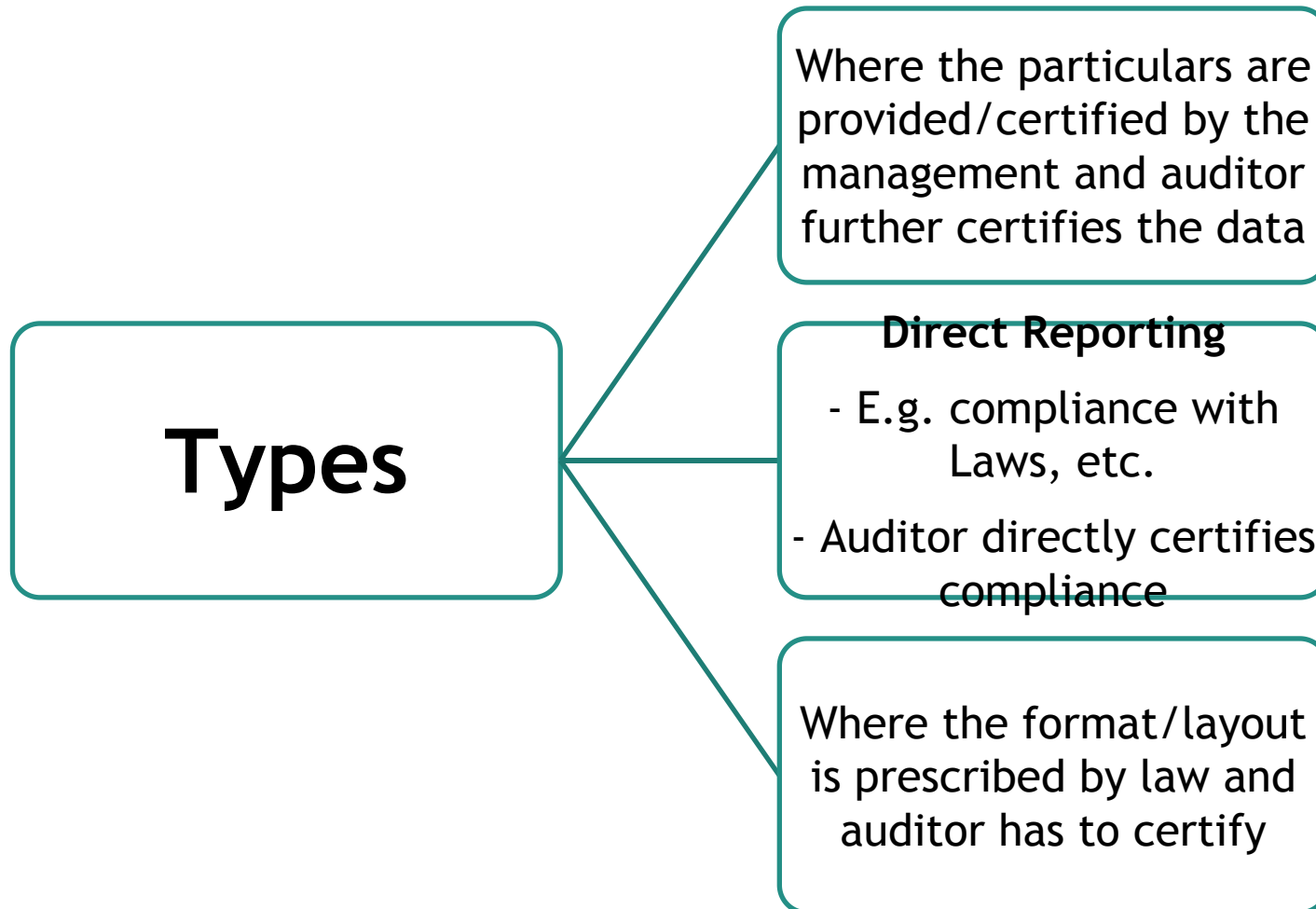
UDIN

Date of Signature

Place of Signature



# Type Of Certificates- Based on Subject Matter



# Type Of Certificates- Based on Subject Matter

Where the particulars are provided/certified by the management and auditor further certifies the data

- ⑩ Define the Statement/Annexure(s) containing the particulars certified by the management in the introductory paragraph
- ⑩ Add paragraph stating the management responsibility towards the internal control and preparation of Statement under the 'Management Responsibility' para
- ⑩ Reference to the Statement/Annexure(s) should appear in the Opinion/Conclusion para
- ⑩ The Statement/Annexure(s) are to be enclosed along with the certificate
- ⑩ Auditor should stamp and/or initial the Statement/Annexure(s) attached to his certificate for identification purposes only

## Type Of Certificates- Based on Subject Matter

Where the certificate is on compliance with Laws, etc. and no particular statement of Annexure is being certified

- ⑩ Auditor to consider appropriateness of evidence obtained and use his professional judgement to form opinion
- ⑩ Remove paragraph on the Management Responsibility towards the internal control and preparation of Statement since no statement is prepared and annexed

# Type Of Certificates- Based on Subject Matter

Where the format/layout is prescribed by law and auditor has to certify

- ✓ Certificate to be prepared as per the format specified by the regulatory authority (e.g.- SAD certificate, APR certificate)
- ✓ Enclose a statement containing essential elements of the assurance report to the certificate
- ✓ A separate line stating “to be read with the enclosed statement of even date” shall be inserted towards the end of the certificate, above the signature and such statement shall be enclosed with the certificate
- ✓ Consequently, the “Opinion” paragraph needs to be removed from the Statement as the same would be covered within the main certificate itself

# Type Of Certificates- Based on Subject Matter

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# Common Certificates

## Reasonable Assurance

- Certification of Turnover for past 3 years
- Certification of Net worth of the Company
- Certification on Derivative Exposure to be submitted to banks
- Certificate on compliance with requirements of Buy Back
- Annual Performance Report (APR) Certificate / Overseas Direct Investment (ODI) Certificate

## Limited Assurance

- Certification of details of prosecution, if any, launched against the Company or its directors
- Certificate on agreements or transactions executed in prior years for which conclusive evidence is not in the possession of the client

# Documentation

## Essential elements of the Certificate Documentation:

For every certificate, ensure following documents are maintained on file:

Essential Element	Description
Mandate Letter	Should specify your fees, any specific remarks/instructions from client
Engagement Letter	To contain scope, responsibilities, fees, type of assurance, etc.
Requirement List	Should be shared with client in writing Useful in case we do not receive data and need to disclaim the opinion
Working papers	Should contain details of checks performed and cross reference to evidence obtained Should be unambiguous and conclusive
Review by Senior	Document containing footmarks of review by senior/partner

# Documentation

## Essential elements of the Certificate Documentation:

For every certificate, ensure following documents are maintained on file:

Essential Element	Description
Written Representation from Mgt.	To be obtained for specific matters, estimates or judgements
Original copy of certificate (Office Copy)	Ensure one copy of certificate along with annexures and statement is kept on the file for future reference



# Implications of a Modified Audit Opinion on the Financial Statements

- When we have issued a modified opinion in our Statutory Audit Report/Limited Report on the matters involved in the certificate, consider the implication of such modification on the matter reported upon/certified. If required modify the opinion in the certificate as well.
- The basis of modified opinion is to be reproduced in the certificate and the opinion/conclusion para should be modified and include a reference to the same.

## ➤ For Example,

- “Based on our examination, as stated above and the information, explanations and written representation give to us we are of the opinion that subject to the audit qualifications mentioned in our report referred to in Para \_\_\_ above, the computation of net worth of the Company as on March 31, 2017 as mentioned in the Statement is in accordance with the provisions of Section 2(57) of the Act”

# Things to Remember

➤ **Signing of Engagement Letter is essential**

➤ In case we are not the Statutory Auditors of the entity, the report/certificate shall refer to us as **Practitioners instead of Auditors**

Where the subject matter includes assurance with respect to matters stated in the audited financial statements:

- 1) **Where we are the Statutory Auditor**, mention about the audit report was issued by us, type of opinion and date of opinion.
- 2) **In case report for Financial Year was issued by predecessor auditor**, mention such fact & type of opinion issued

# Things to Remember

➤ Relevant requirements such as **independence, documentation, archival, retention** of audit files, etc. needs to be complied with

➤ When client appoints us to carry out procedures, consider issuing AUP Report under **SRS 4400**

➤ The auditor may include an **Emphasis of Matter or Other matter Para** for information or explanations that are not intended to affect the auditor's opinion or conclusion and such information should be clearly separated from the auditor's opinion / conclusion. Such para should be inserted after the Opinion para

➤ **Written representation** to be obtained in relation to the completeness of information provided and any other representations to support other evidence relevant to the subject matter information, only if required

## Agreed Upon Procedures (AUP) v/s Certificate

### AUP

- SRS 4400- Engagements to perform Agreed Upon Procedure regarding Financial Information
- Reporting on factual findings based upon procedures agreed with the engaging party
- No Assurance Expressed

### CERTIFICATE

- Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)
- Issuing an opinion/ conclusion
- Assurance Expressed



# Certification Engagements

