

AUDITING AND ASSURANCE STANDARDS

In India, Auditing and Assurance standards are issued by ICAI. In 1982, ICAI set up Auditing and Assurance Standard Board (AASB) to prepare auditing standards. Accordingly, AASB issues Statements on Standard Auditing Practices and Auditing and assurance Standards under the authority of the Council.

As per section 143 (10) of the Companies Act, 2013, The Central Government may prescribe the standards of auditing or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

COMPLIANCE WITH AUDITING STANDARDS

As per section 143 (9) of the Companies Act, 2013, every auditor shall comply with the auditing standards.

If for any reason the member is unable to perform an audit in accordance with the generally accepted auditing standards, his report should draw attention to any material departures there from, failing which he would be held guilty of professional misconduct under clause 9 of Part 1 of the Second Schedule to the Chartered Accountants Act, 1949.

OBJECTIVES AND FUNCTIONS OF THE AUDITING AND ASSURANCE STANDARDS BOARD (AASB)

The following are the objectives and Functions of the Auditing and Assurance Standards Board (AASB):ⁱ

1. To review the existing and emerging auditing practices worldwide and identify areas in which Standards on Quality Control, Engagement Standards and Statement on Auditing need to be developed.
2. To formulate Engagement Standards, Standards on Quality Control and Statement on Auditing so that these may be issued under the authority of the Council of the Institute.

3. To review the existing Standards and Statements on Auditing to assess their relevance in the changed conditions and to undertake their revision, if necessary.
4. To develop guidance notes on issues arising out of any Standard, auditing issues pertaining to any specific industry or on generic issues, so that those may be issued under the authority of the Council of the Institute.
5. To review the existing Guidance Notes to assess their relevance in the changed circumstances and to undertake their revision, if necessary.
6. To formulate General Clarifications, where necessary, on issues arising from Standards.
7. To formulate and issue Technical Guides, Practice Manuals, Studies and other papers under its own authority for guidance of professional accountants in the cases felt appropriate by the Board.

PROCEDURE FOR ISSUING STANDARDS

Auditing and Assurance Standards Board (AASB) of the Institute formulates the auditing standards. Broadly, the following procedure is adopted for the formulation of Standards on Auditing (SAs):

- The Auditing and Assurance Standards Board identifies the areas where auditing standards need to be formulated and the priority in regard to their selection.
- In the preparation of Auditing Standards, AASB is assisted by study groups/task force constitute to consider specific project. Study group comprising of a cross section of members of the Institute.
- The study group/task force is responsible for preparing the primarily draft of Standards.
- Based on the work of the study groups, an exposure draft of the proposed Standards is prepared by the Committee and issued for comments by members of the ICAI.
- After taking the comments into consideration, AASB finalize the draft and submit to the Council of the Institute.
- The Council on its review of the draft, makes suitable modifications in consultations with the AASB and then Standards/Statements is issued under the authority of the Council.

While formulating the auditing standards, the Board also takes into consideration International Standards on Auditing (ISA) issued by the International Auditing Practices Committee (IAPC), applicable laws, customs, usages and business environment in the India.

LIST OF STANDARDS ON QUALITY CONTROL, AUDITING, OTHER ASSURANCE AND RELATED SERVICES

ICAI has issued 43 Engagement and Quality Control Standards (formerly known as Auditing and Assurance Standards) covering various topics relating to auditing and other engagements. All Chartered Accountants in India are required to adhere to all these standards. If a Chartered Accountant is found not to follow the said standards he is deemed guilty of professional misconduct. These standards are fully compatible with the International Standards on Auditing (ISA) issued by the IAASB of the IFAC except for two standards SA 600 and SA 299, where corresponding provisions do not exist in ISA.ⁱⁱ

The following Standards issued by the Auditing and Assurance Standards Board under the authority of the Council are collectively known as the Engagement Standards:ⁱⁱⁱ

- (a) *Standards on Auditing (SAs)* - to be applied in the audit of historical financial information.
- (b) *Standards on Review Engagements (SREs)* - to be applied in the review of historical financial information.
- (c) *Standards on Assurance Engagements (SAEs)* - to be applied in assurance engagements, other than audits and reviews of historical financial information.
- (d) *Standards on Related Services (SRSs)* - to be applied to engagements involving application of agreed-upon procedures to information, compilation engagements, and other related services engagements, as may be specified by the ICAI.

Standards on Quality Control (SQC)

1. SQC 1, “Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements”

New/Revised Standards (Auditing, Review and Others)

1. SA 200 (Revised) issued under the Clarity Project, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”
2. SA 210 (Revised) under the Clarity Project, “Agreeing the Terms of Audit Engagements”
3. SA 220 (Revised) issued under the Clarity Project, “Quality Control for an Audit of Financial Statements”
4. SA 230 (Revised) under the Clarity Project, “Audit Documentation”

5. SA 240 (Revised) under the Clarity Project, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”
6. SA 250 (Revised) under the Clarity Project, “Consideration of Laws and Regulations in an Audit of Financial Statements”
7. SA 260 (Revised) under the Clarity Project, “Communication with Those Charged with Governance”
8. SA 265 issued under the Clarity Project, “Communicating Deficiencies in Internal Control to Those Charged With Governance and Management”
9. SA 299 (AAS 12), “Responsibility of Joint Auditors”
10. SA 300 (Revised) under the Clarity Project, “Planning an Audit of Financial Statements”
11. SA 315 under the Clarity Project, “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment”
12. SA 320 (Revised) issued under the Clarity Project, “Materiality in Planning and Performing an Audit”
13. SA 330 under the Clarity Project, “The Auditor’s Responses to Assessed Risks”
14. SA 402 (Revised) issued under the Clarity Project, “Audit Considerations Relating to an Entity Using a Service Organisation”
15. SA 450 issued under the Clarity Project, “Evaluation of Misstatements Identified During the Audit”
16. SA 500 (Revised) under the Clarity Project, “Audit Evidence”
17. SA 501 (Revised) issued under the Clarity Project, “Audit Evidence—Specific Considerations for Selected Items”
18. SA 505 (Revised) issued under the Clarity Project, “External Confirmations”
19. SA 510 (Revised) under the Clarity Project, “Initial Audit Engagements – Opening Balances”
20. SA 520 (Revised) issued under the Clarity Project, “Analytical Procedures”
21. SA 530 (Revised) under the Clarity Project, “Audit Sampling”
22. SA 540 (Revised) under the Clarity Project, “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures”
23. SA 550 (Revised) under the Clarity Project, “Related Parties”
24. SA 560 (Revised) under the Clarity Project, “Subsequent Events”

25. SA 570 (Revised) under the Clarity Project, “Going Concern”
26. SA 580 (Revised) under the Clarity Project, ”Written Representations”
27. SA 600 (AAS 10), “Using the Work of Another Auditor”
28. SA 610 (Revised) issued under the Clarity Project, “Using The Work of Internal Auditors”
29. SA 620F (Revised) issued under the Clarity Project, “Using the Work of an Auditor’s Expert”
30. SA 700 (Revised) issued under the Clarity Project, “Forming an Opinion and Reporting on Financial Statements”
31. SA 705 issued under the Clarity Project, “Modifications to the Opinion in the Independent Auditor’s Report”
32. SA 706 issued under the Clarity Project, “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report”
33. SA 710 (Revised) issued under the Clarity Project, “Comparative Information—Corresponding Figures and Comparative Financial Statements”
34. SA 720 under the Clarity Project, “The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements”
35. SA 800 issued under the Clarity Project, “Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks”
36. SA 805 issued under the Clarity Project, “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement”
37. SA 810 issued under the Clarity Project, “Engagements to Report on Summary Financial Statements”
38. SRE 2400 (Revised), “Engagements to Review Financial Statements”
39. SRE 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”

Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

1. SAE 3400 (AAS 35), “The Examination of Prospective Financial Information”
2. SAE 3402, “Assurance Reports on Controls At a Service Organisation”

Related Services

1. SRS 4400 (AAS 32), “Engagements to Perform Agreed-upon Procedures Regarding Financial Information”
2. SRS 4410 (AAS 31), “Engagements to Compile Financial Information”

New AAS No.	Old no.	Title of the Statement Effective Date
SA 200	AAS 01	Objectives and Scope of the Audit of Financial Statements
SA 200A	AAS 02	Objectives and Scope of the Audit of Financial Statements
SA 230	AAS 03	Documentation
SA 240	AAS 04	The Auditor’s Responsibility to Consider Fraud and Error in an Audit of Financial Statements
SA 500	AAS 05	Audit Evidence
SA 610	AAS 07	Relying Upon the Work of an Internal Auditor
SA 300	AAS 08	Audit Planning
SA 620	AAS 09	Using the Work of an Expert
SA 600	AAS 10	Using the Work of Another Auditor
SA 580	AAS 11	Representations by Management
SA 299	AAS 12	Responsibility of Joint Auditors
SA 320	AAS 13	Audit Materiality
SA 520	AAS 14	Analytical Procedures
SA 530	AAS 15	Audit Sampling
SA 570	AAS 16	Going Concern
SA 220	AAS 17	Quality Control for Audit Work
SA 540	AAS 18	Audit of Accounting Estimates
SA 560	AAS 19	Subsequent Events
SA 250	AAS 21	Consideration of Laws and Regulations in an Audit of Financial Statements
SA 510	AAS 22	Initial Engagements – Opening Balances
SA 550	AAS 23	Related Parties
SA 402	AAS 24	Audit Considerations Relating to Entities Using Service Organisations

SA 710	AAS 25	Comparatives
SA 210	AAS 26	Terms of Audit Engagement
SA 260	AAS 27	Communication of Audit Matters with Those Charged with Governance
SA 700	AAS 28	The Auditor's Report on Financial Statements
SA 505	AAS 30	External Confirmations
SRS 4410	AAS 31	Engagements to Compile Financial Information
SRS 4400	AAS 32	Engagements to Perform Agreed-upon Procedures Regarding Financial Information
SRE 2400	AAS 33	Engagements to Review Financial Statements
SA 501	AAS 34	Audit Evidence – Additional Considerations for Specific Items
SAE 3400	AAS 35	The Examination of Prospective Financial Information
SQC 1	AAS 36	Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements”

SUMMARY OF AUDITING & ASSURANCE STANDARDS AS PRESCRIBED BY ICAI

AAS-1 Basic Principles Governing an Audit

The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1985.

This Auditing and Assurance Standard was the first standard on auditing issued by the Institute. As the name suggests, it seeks to lay down and briefly explain the basic principles which govern the auditor's professional responsibilities and which should be complied with whenever an audit is carried out. These principles are, namely, integrity, objectivity and independence, confidentiality, skills and competence, work performed by others, documentation, planning, audit evidence, accounting system and internal control, and, finally, audit conclusions and reporting.

AAS-2 Objective and Scope of the Audit of Financial Statements

The Standard is effective for all audits relating to accounting periods beginning on or after April 1, 1985. This Standard describes the overall objective and scope of the audit of general purpose

financial statements of an enterprise by an independent auditor. The Standards deals with the following important aspects of an audit:

- Objective of an Audit: expression of opinion, the concept of true and fair view
- Responsibility for Financial Statements: responsibility of the management vis a vis auditor
- Scope of Audit: factors determining scope, reliability and sufficiency of audit evidence, disclosure aspects, undiscovered material misstatements, etc.

AAS-3 Documentation

The AAS is effective for all audits relating to accounting periods beginning on or after July 1, 1985.

Principle that the auditor should document matters which are important in providing evidence that the audit was carried out in accordance with the generally accepted auditing standards in India. The Standard explains as to what constitute working papers, need for working papers. The Standard also touches upon the following areas:

- Form and Content: factors affecting form and content, quantum of working papers, permanent audit file, current audit file.
- Ownership and Custody of Working Papers

AAS-4 The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements

The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 2003.

As the name indicates, the purpose of this AAS is to establish standards on the auditor's responsibility to consider fraud and error in an audit of financial statements. The following would give an overview of the contents of the AAS:

- Fraud and error and their characteristics
- Responsibility of those charged with governance

- Responsibility of management
- Responsibility of the auditor
- Indication of possible misstatement
- Evaluation and disposition of misstatements.
- Effect on auditor's report
- Documentation
- Management representations
- Communication
- Auditor unable to complete engagement

The appendices to the AAS contain examples of risk factors relating to misstatements resulting from fraud/ error, examples of modifications in auditor's procedures, and indicators of possible fraud or error.

AAS-5 Audit Evidence

This AAS is effective for all audits relating to accounting periods beginning on or after January 1, 1989.

The purpose of this AAS is to establish standards on the basic principle that the auditor should obtain sufficient appropriate audit evidence through compliance and substantive procedures to enable him to draw reasonable conclusions therefrom on which to base his opinion on the financial information. The AAS also explains the concept of sufficient appropriate audit evidence, factors affecting it as also the various types of assertions, internal vis a vis external evidence. The Standard also deals with the methods of obtaining evidence, namely, inspection, observation, inquiry and confirmation, computation and analytical review.

AAS-6 Risk Assessments and Internal Control

The AAS is effective for all audits related to accounting period beginning on or after April 1, 2002.

The purpose of this AAS is to establish Standards on the procedures to be followed to obtain an understanding of the accounting and internal control systems and on audit risk and its

components: inherent risk, control risk and detection risk. The standard also extensively deals with aspects such as meaning of audit risk and its three components, meaning and inherent limitations of accounting and internal control systems, control environment, control risk and its assessment, tests of control, assessment of inherent risk and its relationship with control risk, assessment of detection risk, audit risk in small business and communication of weaknesses.

AAS-7 Relying Upon the Work of an Internal Auditor

The Standard is effective for all audits relating to accounting periods beginning on or after April 1, 1989.

The AAS establishes standards on the procedures that should be adopted by the external auditor to assess the work of an internal auditor for placing reliance upon that work. The Standard touches upon topics like scope and objective of internal audit function, relationship between internal and external auditor, aspects to be considered in evaluating the internal audit function, coordination between internal and external auditor, evaluating specific internal audit work.

AAS-8 Audit Planning

The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1989.

The basic objective of the AAS is to establish standards on the principle that the auditor should plan his work to enable him to conduct an effective audit in an efficient manner and that the plan should be based on the knowledge of the client's business. The AAS covers topics such as advantages of audit planning, sources of obtaining knowledge of the client's business, topics on which discussion with client might be useful, factors to consider in development of an overall plan, developing an audit programme etc.

AAS-9 Using the Work of an Expert

The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1991.

This AAS discusses the auditor's responsibility in relation to, and the procedures the auditor should consider in, using the work of an expert as audit evidence. The AAS explains the concept

of an ‘expert’, situations in which the need for using the work of an expert might arise, factors to consider when deciding whether to use the work of an expert or not, evaluating the skills and competence and objectivity of an expert, procedures for evaluating the work of an expert, references to an expert auditor’s report, etc.

AAS-10 Using the Work of Another Auditor (Revised)

The revised AAS is effective for all audits relating to accounting periods beginning on or after April 1, 2002.

This AAS discusses the procedures to be applied in situations where an independent auditor (principal auditor) reporting on the financial statements of the entity uses the work of another auditor (other auditor) with respect to the financial statements of one or more components included in the financial statements of the entity. The AAS explains the concept of component. It also deals in detail with the procedures to be adopted by the principal auditor when using the work of the ‘other auditor’, need for evaluating the professional competence of the ‘other’ auditor, documentation, coordination between principal and other auditor, reporting considerations for the principal auditor, and division of responsibility.

AAS-11 Representations by Management

The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1995.

The AAS was issued to establish standards on the use of management representations as audit evidence, the procedures to be applied in evaluating and documenting management representations, and the action to be taken if management refuses to provide appropriate representations. The Standard touches upon topics including situations in which the auditor should obtain management representations, management representation vis a vis other audit evidence, documentation of such representations, types of management representations, basic elements of management representation letters, etc. the Standard also contains example of a management representation letter on the different elements of the financial statements.

AAS-12 Responsibility of Joint Auditors

The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1996.

The practice of appointing more than one auditor to conduct the audit of large entities has been in vogue for a long time. Such auditors, known as joint auditors, conduct the audit jointly and report on the financial statements of the entity. This AAS deals with the professional responsibilities which the auditors undertake in accepting such appointments as joint auditors. The important aspect of joint audit assignments as covered by this AAS include possible bases of division of work among joint auditors, coordination among joint auditors, joint and several liability of joint auditors, responsibility for obtaining and evaluating information and explanation from management, responsibility for scrutiny of branch accounts and returns, need for review of work performed by one joint auditor by other joint auditor(s), reporting responsibilities etc.

AAS-13 Audit Materiality

The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1996.

Information is material if its misstatement (i.e., omission or erroneous statement) could influence the economic decisions of users taken on the basis of the financial information. Materiality provides a cut off point rather than being a primary qualitative characteristics which the information must have if it is to be useful. This AAS establishes standards on the concept of materiality and its relationship with audit risk. Accordingly, the AAS deals with aspects such as establishment of acceptable materiality levels, relationship between materiality and audit risk, procedures to reduce audit risk, materiality and audit risk in evaluating audit evidence, components of aggregate of uncorrected misstatements and auditor's plan of action, review of materiality level and subsequent changes therein, etc.

AAS-14 Analytical Procedures

The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1997.

"Analytical procedures" means the analysis of significant ratios and trends, including resulting investigation of fluctuations and relationships that are inconsistent with other relevant

information or which deviate from predicted amounts. The purpose of this AAS is to establish standards on the application of analytical procedures during an audit. The AAS, accordingly, deals with aspects like nature and purpose of analytical procedures, analytical procedures in planning the audit, analytical procedures as substantive procedures, analytical procedures in the overall review at the end of the audit, extent of reliance on analytical procedures, investigating unusual items etc.

AAS-15 Audit Sampling

The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1998.

"Audit Sampling" means the application of audit procedures to less than 100% of the items within an account balance or class of transactions to enable the auditor to obtain and evaluate audit evidence about some characteristics of the items selected in order to form or assist in forming a conclusion concerning the population. The purpose of AAS is to establish standards on the design and selection of an audit sample and the evaluation of sample results and applies equally to statistical and non-statistical sampling. The areas covered by the AAS include design of sample, audit objectives, population, stratification, sample size and risk, tolerable and expected error, selection of sample, evaluation of sample results, analysis of errors in the sample, projection of errors, reassessing sampling risk.

AAS-16 Going Concern

The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1999.

As members are aware, "going concern" is one of the fundamental assumptions underlying the preparation of the financial statements. The objective of this AAS is to establish standards on the auditor's responsibilities in the audit of financial statements regarding the appropriateness of the going concern assumption as the basis for the preparation of the financial statements. The AAS deals with the relevant areas in this regard such as indications - financial, operating and other - of appropriateness or otherwise of the going concern assumption, audit evidence, illustrative audit

conclusions and reporting in case going concern assumption considered appropriate/ going concern question not resolved/ going concern assumption considered inappropriate.

AAS-17 Quality Control for Audit Work

The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1999.

The purpose of this Standard is to establish standards on quality control policies and procedures of an audit firm regarding audit work generally; and procedures regarding the work delegated to assistants on an individual audit. The AAS deals with the such aspects of the quality control for audit work, namely, objectives of the quality control policies to be adopted by audit firm, direction to be provided to the assistants to whom work has been delegated, supervision of the work being performed by the assistants, review of the work being performed by assistants and factors to be considered therein.

AAS-18 Audit of Accounting Estimates

The AAS is effective for all audits commencing on or after April 1, 2000.

Accounting Estimates means an approximation of the amount of an item in the absence of a precise means of measurement. This AAS, as the name suggests, establishes standards on the audit of accounting estimates. The AAS, accordingly, deals with such aspects, including, nature of accounting estimates, audit procedures, reviewing and testing the process used by management, evaluation of data and consideration of assumptions, testing of calculations, comparison of previous estimates with actual results, use of independent estimates, review of subsequent events, evaluation of results of audit procedures.

AAS-19 Subsequent Events

The AAS is effective for all audits commencing on or after April 1, 2000.

Subsequent events refer to significant events occurring between the balance sheet date and the date of the auditor's report. This AAS lays down the responsibility of the auditor in respect of subsequent events. It also provides the audit procedures for identification of relevant subsequent events, for example, reading minutes, reviewing management procedures, inquiries of

management and other concerned persons etc. the Standard also guides the auditor on his reporting responsibilities in respect of subsequent events.

AAS-20 Knowledge of the Business

The AAS is effective for all audits commencing on or after April 1, 2000.

This Standard establishes standards on what is knowledge of the business, why it is important to the auditor, and to the audit staff working on an engagement. It also establishes standards on why knowledge of the business is relevant to all phases of an audit and how the auditor obtains and uses that knowledge. The AAS therefore deals with the relevant topics such as, obtaining knowledge of the business before and after accepting the assignment, sources of knowledge, using the knowledge, areas affected by the knowledge of the client's business etc.

AAS-21 Consideration of Laws and Regulations in an Audit of Financial Statements

This AAS is effective for all audits commencing on or after July 1, 2001.

This AAS lays down standards on auditor's responsibility regarding consideration of laws and regulations in an audit of financial statements. The AAS therefore deals with aspects such as responsibility of the management for compliance with laws and regulations, auditor's consideration of compliance with laws and regulations, audit procedures where non compliance is discovered, communicating/ reporting non compliance to management/users of audited financial statements/ regulators, and situations for withdrawal from engagement. The Appendix to the AAS contains indications that non compliance might have occurred.

AAS-22 Initial Engagements - Opening Balances

This AAS is effective for all audits commencing on or after July 1, 2001.

"Initial engagements" mean when the financial statements are audited for the first time or when the financial statements for the preceding period were audited by another auditor. "Opening balances" means those account balances which exist at the beginning of the period. This AAS establishes standards regarding audit of opening balances in case of initial engagements. The Standard, therefore, deals with audit procedures for obtaining sufficient appropriate evidence in

respect of opening balances. The Standard also provides guidance to the auditors on situations warranting qualified opinion/ disclaimer of opinion.

AAS-23 Related Parties

This AAS is effective for all audits relating to accounting periods commencing on or after April 1, 2001.

The Institute had issued Accounting Standard (AS) 18 on Related Party Disclosures. The purpose of this AAS is to lay standards on auditor's responsibilities and audit procedures regarding related parties and related party transaction, as defined in AS 18. The AAS covers areas including, existence and disclosure of related parties, transactions with related parties, examining unidentified related party transactions, management representations, audit conclusions and reporting. The appendix to AAS contains an illustrative management representation letter regarding related parties.

AAS-24 Audit Considerations relating to Entities Using Service Organisations

This AAS is effective for all audits related to accounting periods beginning on or after April 1, 2003.

This AAS lays down standards for an auditor whose client uses a service organisation. This AAS also describes the reports of the auditors of the service organisation which may be obtained by the auditor of the client. The AAS therefore first explains the concept of a "service organisation" and then goes on to describe the considerations for the auditor of the client, factors to be considered in determining the significance of the activities of the service organisation to the client and their relevance to audit, obtaining necessary information from service organisations, auditor's procedures in case such information is insufficient etc.

AAS-25 Comparatives

This AAS is operative for all audits relating to accounting periods beginning on or after April 1, 2003.

The purpose of this Auditing and Assurance Standard (AAS) is to establish standards on the auditor's responsibilities regarding comparatives. It does not however deal with situations when

summarized financial statements or data are presented with the audited financial statements. The AAS therefore explains the concept of comparatives in financial statements, corresponding figures and comparative financial statements. It also deals with the requirement for obtaining sufficient appropriate audit evidence in respect of comparatives, audit procedures where prior period financial statements are unaudited, audit procedures in case of material misstatements in comparatives or where prior period audit report contains a modified opinion, etc. The AAS also contains a discussion on financial reporting frameworks for comparatives and also illustrative auditor's report in circumstances described in the Standard.

AAS-26 Terms of Audit Engagement

The AAS is effective for all audits relating to accounting periods beginning on or after 1st April, 2003 and replaces Guidance Note on Audit Engagement Letters issued by the Institute.

This AAS establishes standards on agreeing to the terms of engagement with the client and the auditor's response to a request by client to change the terms of an engagement to one that provides lower level of assurance. The AAS discusses principal contents of an audit engagement letter, audit engagement letter in case of audit of components, factors affecting audit engagement letter in case of recurring audits. The AAS also extensively deals with the duties and responsibilities of the auditors in case of a change in engagement.

AAS-27 Communications of Audit Matters with Those Charged with Governance

This AAS is effective for all audits related to accounting periods commencing on or after April 1, 2003.

The term "governance" as used in this AAS refers to the role of persons entrusted with the supervision, control and direction of an entity. "Those charged with governance" are ordinarily accountable for ensuring that the entity achieves its objectives, financial reporting, and reporting to interested parties. The AAS establishes standards on communications of audit matters arising from the audit of financial statements between the auditor and those charged with governance of an entity. The AAS therefore provides guidance to auditors as to procedures to identify relevant persons, what are the audit matters of general interest to be communicated, forms of

communication, factors affecting communication, confidentiality requirements, laws and regulations etc.

AAS-28 The Auditor's Report on Financial Statements

This Auditing and Assurance Standard becomes operative for all audits relating to accounting periods beginning on or after 1st April 2003.

The purpose of this AAS is to establish standards on the form and content of the auditor's report issued as a result of an audit performed by an auditor of the financial statements of an entity. Much of the standards laid down by this AAS can be adapted to auditor's reports on financial information other than financial statements. The AAS deals extensively with the concepts such as the basic elements of an auditor's report, what is an unqualified opinion, the concept of modified audit report - qualified opinion, adverse opinion, disclaimer opinion, matters that affect the auditor's opinion and matters that do not affect the auditor's opinion, emphasis of matter paragraphs, illustrative audit reports in each case.

AAS-29 Auditing in a Computer Information Systems Environment

This Auditing and Assurance Standard (AAS) becomes operative for all audits related to accounting periods beginning on or after 1st April, 2003.

A CIS environment exists when one or more computer(s) of any type or size is (are) involved in the processing of financial information, including quantitative data, of significance to the audit, whether those computers are operated by the entity or by a third party. The purpose of this Auditing and Assurance Standard (AAS) is to establish standards on procedures to be followed when an audit is conducted in a computer information systems (CIS) environment. The AAS lays down standard in respect of skills and competence needed by the auditor to conduct an audit of CIS environment, factors to consider while planning such an audit, peculiar features of a CIS environment, assessment of risk, audit procedures to reduce audit risk, documentation in such audits.

AAS-30 External Confirmations

This Auditing and Assurance Standard is effective for all audits relating to accounting periods commencing on or after April 1, 2003.

This Auditing and Assurance Standard deals with an important form of audit evidence, viz., external confirmations. The Standard touches upon in details, with the various important aspects related to external confirmations. For example, relationship of external confirmation procedures to the inherent and control risks, assertions addressed by external confirmations, timing of external confirmations, design of the external confirmation request, nature of information being confirmed, form of confirmations - positive and negative, characteristics of respondents, evaluation of the results of the confirmation process, management requests etc.

AAS-31 Engagements to Compile Financial Information

This Auditing and Assurance Standard is effective for all audits relating to accounting periods commencing on or after April 1, 2004.

The salient feature of a compilation engagement is that in such types of engagements, the accountant uses accounting expertise as against auditing expertise to collect, classify and summarise financial information. Ordinarily, a compilation engagement involves reducing data to a manageable and understandable form and does not require the accountant to test the assertions underlying the concerned information. Moreover, the procedures adopted by the accountant in carrying out a compilation engagement do not enable him to express any assurance or opinion on that financial information. The AAS deals extensively with significant issues such as the objective of a compilation engagement, basic principles in a compilation engagement, including the ethical requirements, responsibility of the management, the essential ingredients of the terms of a compilation engagement, planning, documentation and procedural aspects of a compilation engagement. The AAS also deals with the special considerations in case of clients having an identified financial reporting framework, clients having no financial reporting framework and situations of non compliance with the accounting standards by the client, estimates made by the client. The AAS also provides detailed guidance as to the reporting aspects in a compilation engagement. The AAS also contains an illustrative engagement letter for compilation engagements and also sample compilation reports covering different situations for the benefit of the members.

AAS-32 Engagements to Perform Agreed upon Procedures regarding Financial Information

This Auditing and Assurance Standard is effective for all audits relating to accounting periods commencing on or after April 1, 2004.

In an engagement to perform agreed upon procedures, the auditor is usually required to give a report on the factual findings, based on specified procedures performed on specified subject matters of specified elements, accounts or items of financial statements. The basic purpose of the AAS is to establish standards on the auditor's professional responsibilities when an engagement to perform agreed upon procedures regarding financial information is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. The AAS can, however, also be used as a guide to perform agreed upon procedures regarding non financial information. The AAS 32 thus, provides detailed guidance to the members as to the objectives of an agreed upon procedures engagement, basic principles involved in an agreed upon procedures engagement, including ethical principles, the essential aspects of the terms of the engagement. The AAS also deals with the planning, documentation and procedures and evidence aspects of such engagements. The AAS also contains standards in respect of report to be issued by the auditor and its essential elements. The AAS also contains an illustrative engagement letter and an illustrative format of the report to be issued by the auditor.

AAS-33 Engagement to Review Financial Statements

The AAS is operative for all review engagements relating to accounting periods beginning on or after 1 April 2005.

Unlike an audit, a review engagement is based mainly on analytical procedures and inquiries conducted by the auditor. The quarterly unaudited financial results of companies listed on stock exchanges in India are subject to limited review by the chartered accountants. The AAS on Engagements to Review Financial Statements provides extensive guidance on the types of such procedures and enquiries to be employed by the auditors. The AAS establishes standards and provide guidance on the auditor's professional responsibilities and on the form and content of the report that the auditor issues in connection with a review. The AAS deals with issues such as scope of the review engagement, level of assurance, terms of engagement, planning,

documentation, review procedures, conclusions and reporting requirements in the review engagements. The AAS also illustrates format of engagement letter to be issued, review procedures to be applied and format of Review reports to be issued for qualified as well as unqualified opinion.

AAS-34 Audit Evidence – Additional Consideration for Specific Items

The AAS becomes operative for all audits related to accounting periods beginning on or after 1 April 2005.

The objective of this AAS is to establish standards on auditor's responsibilities, audit procedures and provide guidance, in addition to that provided in AAS-5, "Audit Evidence", with respect to certain specific financial statement amounts and other disclosures. This AAS assists the auditor to obtain audit evidence with respect to following aspects:

Part A: Attendance at Physical Inventory Counting.

Part B: Inquiry Regarding Litigation and claims.

Part C: Valuation and Disclosure of Long Term Investments.

Part D: Segment Information.

This AAS provides a detailed insight into each of these aspects. It provides guidance with respect to definition, procedures, management representations and audit conclusions and reporting for each of these parts.

AAS-35 The Examination of Prospective Financial Information

This AAS is effective in relation to reports on projections / forecasts, issued on or after, 01.04.2007.

The purpose of this Auditing and Assurance standards (AAS) is to establish standards and provide guidance on engagements to examine and report on prospective financial information including examination procedures for best estimates and hypothetical assumptions. The auditor is required to obtain sufficient appropriate evidence to determine whether Management's best estimates, assumptions on which the prospective financial information is based are not

unreasonable, they have been properly prepared and presented and all material assumptions are adequately disclosed and that they have been prepared on consistent basis with historical financial statements using appropriate accounting principles.

End Notes

ⁱ Preface to Standards on Quality Control, Auditing, Review, Other Assurance and Related Services, ICAI, April 1, 2008.

ⁱⁱ D.S.Rawat (2011). Students' Guide to Auditing Standards. Preface to Fourteenth Edition: Taxmann. pp. I-7. ISBN 978-81-7194-826-0.

ⁱⁱⁱ Ibid.