

Guidance note on Reports
or Certificates for Special
Purposes
(revised 2016)

J. B. Nagar CPE Study Circle
15th April 2018

What are we covering today

❖ Backdrop

❖ Key contents of GN

❖ Other points

❖ Illustrative formats

❖ Checklist

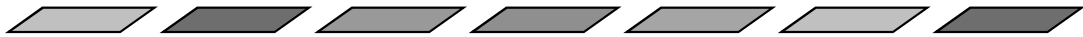
BACKDROP

Revised GN after 30 years

Old GN on Audit Reports and Certificates for Special Purposes refers to “Audit Reports” against “Reports” in revised.



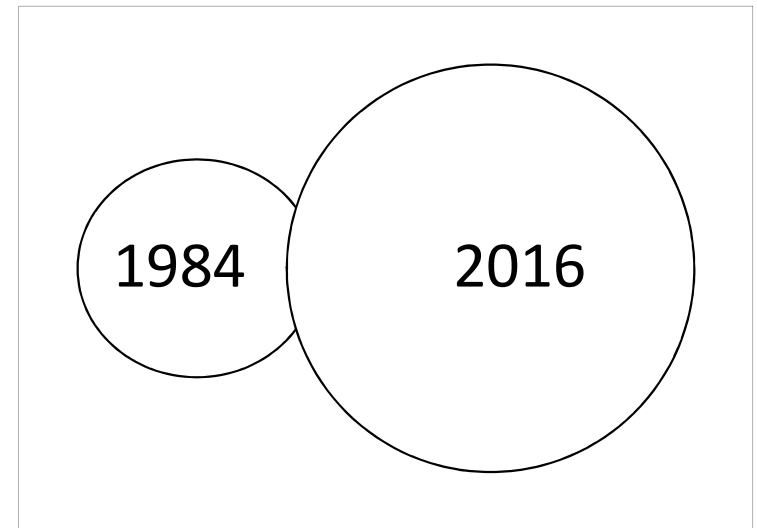
It will cover reports / certificates except certain exclusions [elaborated later]



Revised GN is much elaborative, comprehensive & self contained reference document



Revised GN is based on ISAE 3000 with suitable changes to align with Indian context



Report vs. Certificate for special purpose

Report

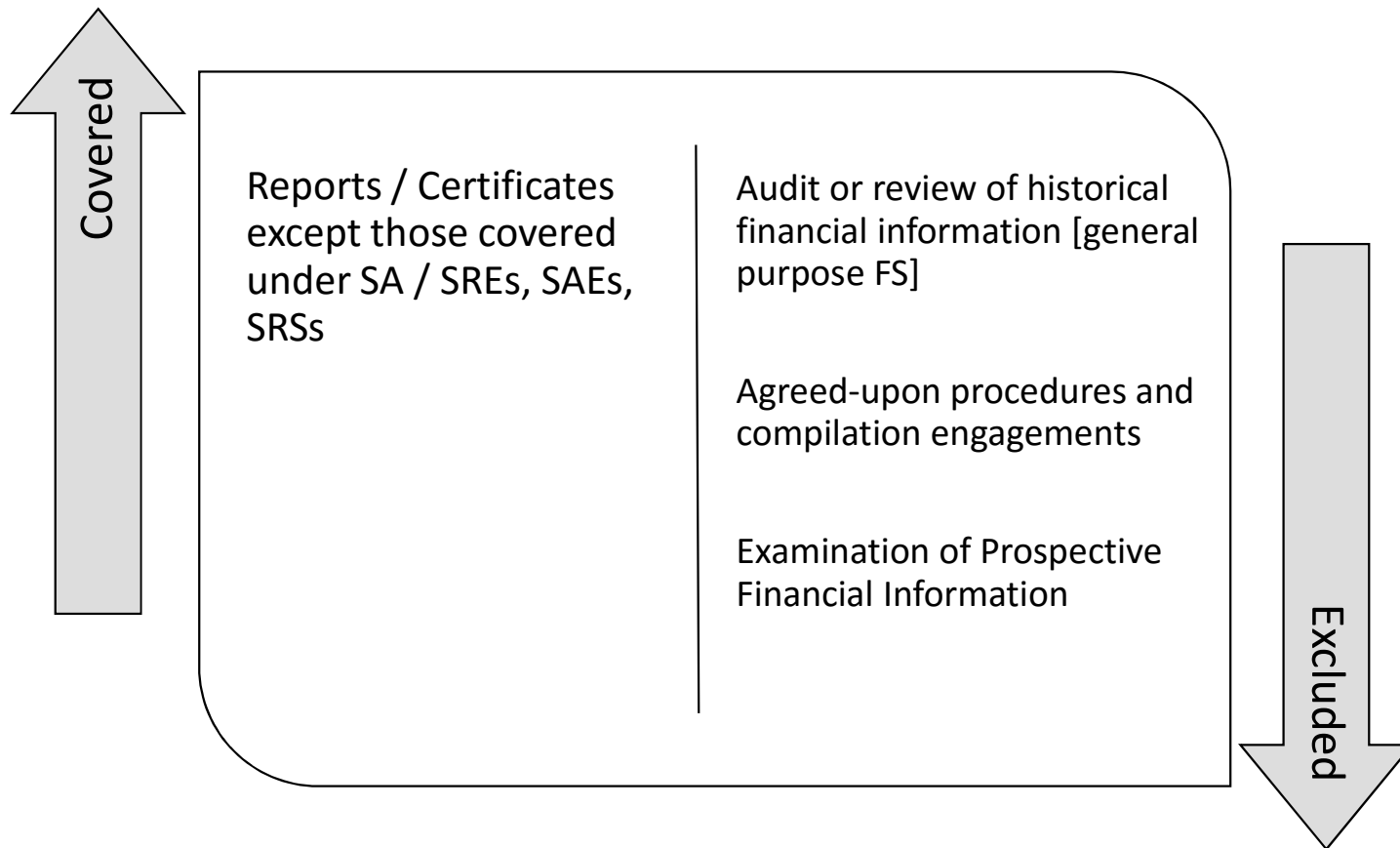
- Means simply an expression of opinions
- After enquiry, examination or review of specified matters

Certificate

- Is a written confirmation of the accuracy of the facts stated therein; and
- Does not involve any estimate or opinion.

Report / Certificate is not defined in Revised GN. However reference can be drawn from erstwhile GN which includes explanatory para on above subjects.

Scope



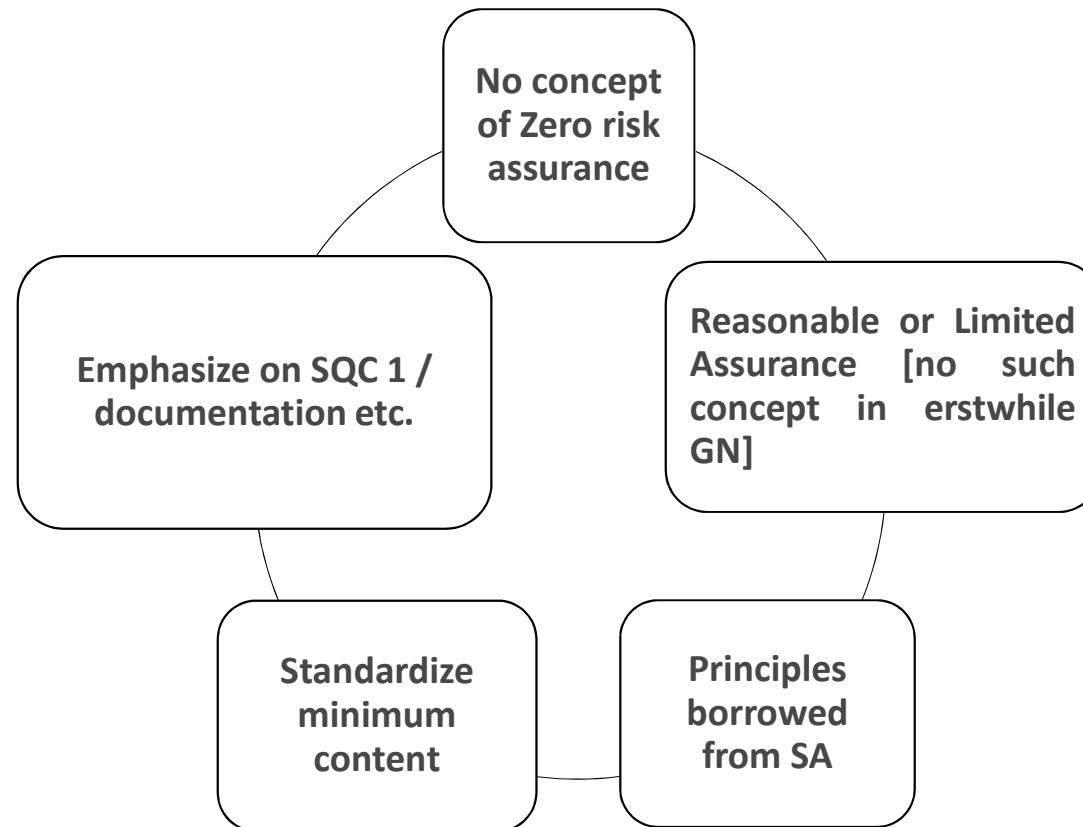
Examples

Areas	Covered in GN (Yes / No)	Remarks
Preparation of tax return	No	No assurance opinion/conclusion is expressed
Consulting / tax advisory	No	No assurance opinion/conclusion is expressed
Custom duty refund (SAD)	Yes	Certificate format prescribed under Customs Act
Expenditure incurred on R&D	Yes	Certificate format prescribed under Income Tax
Contractual reporting obligation	Yes	
Tax Audit report	No	Covered by GN on TA
Report of factual findings, based on agreed procedures with client	No	Covered by SRS 4400
Utilization of funds as per SEBI	Yes	
Net worth certificate	Yes	



**KEY CONTENTS OF
GUIDANCE NOTE**

Highlights of GN

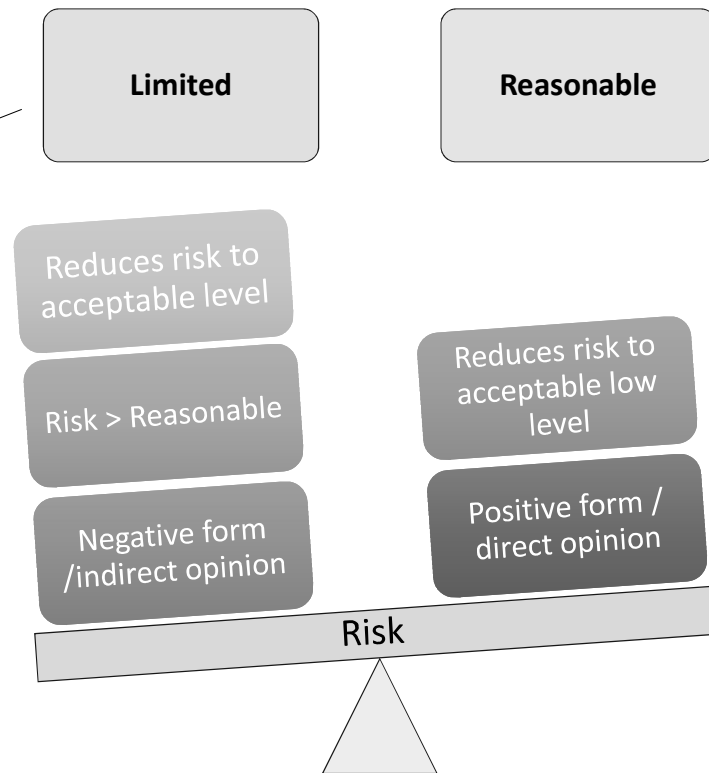


Absolute Accuracy is not expected

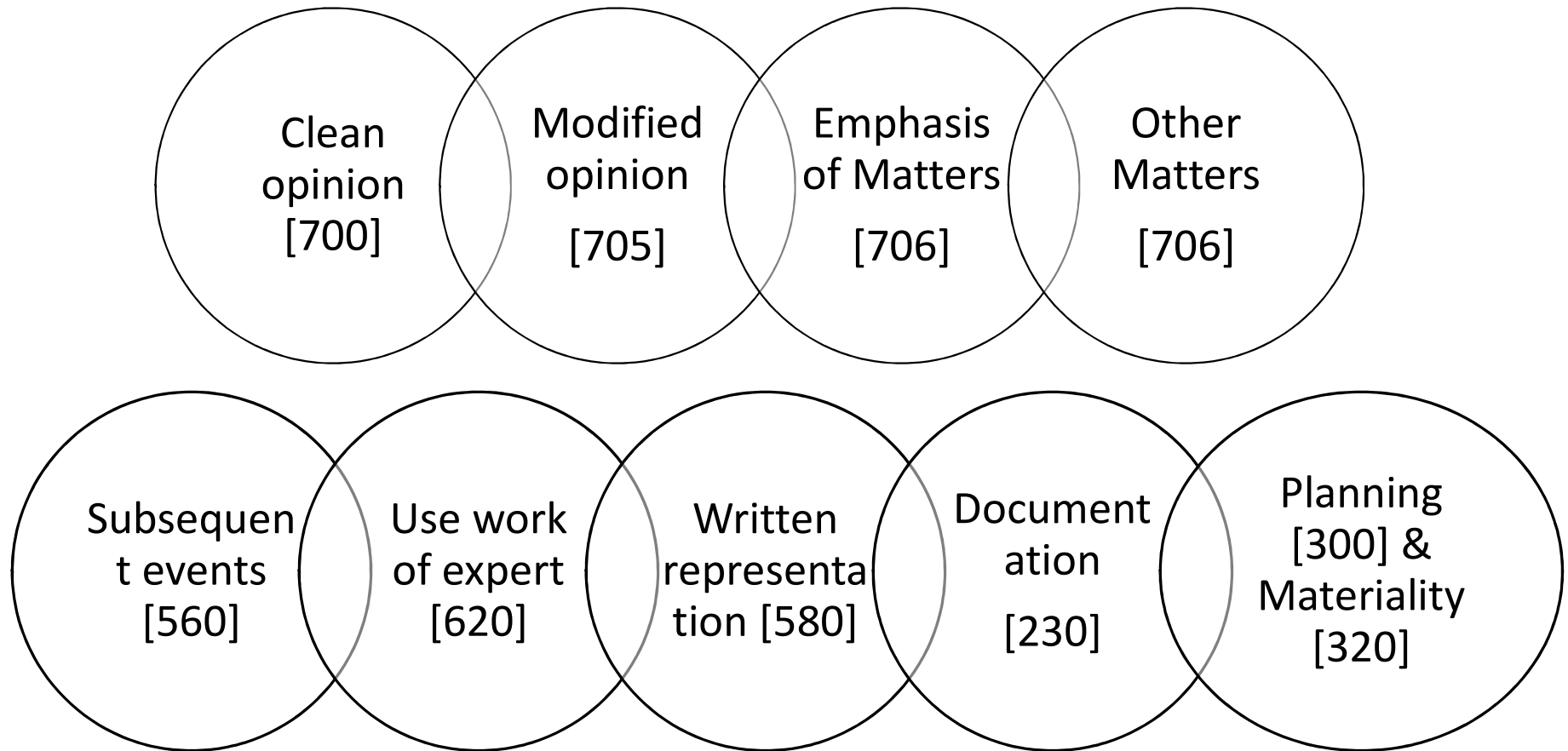
- GN specifically clarifies that absolute assurance / accuracy is not expected from practitioner on account of inherent limitation attached to the procedure applied / performed
- Inherent limitation arise from sampling techniques, inherent limitation of internal controls, the fact that evidence available are persuasive rather than conclusive, need for engagement to be conducted within a reasonable period of time and at reasonable cost, etc.
- 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 practitioner to believe that the subject matter is materially misstated).

Reasonable vs. Limited Assurance Engagement

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 judgment meaningful



Principles of SA are incorporated in GN



Element of Report / Certificate

Minimum basic elements required by the GN to form part of the report / certificate	
Title	Reference to SQC-1
Addressee	Requirement of ICAI – complied with Code of Ethics
Identification/ description of level of assurance	Summary of work performed
Identification of applicable criteria – Source, Evaluation, Significant interpretation	Basis for the practitioner’s opinion/conclusion
Description of any significant limitations	The practitioner’s opinion / conclusion
Identifying the parties and responsibilities	Practitioners Signature
Reference of Guidance note – Compliance	Date of Report & Place of Signature, membership number and firm registration number



Other key points

Agreeing on the Terms of the Engagement

Terms of engagement

- Should be specified in sufficient detail in written document or in law or regulation.
- Should communicate before the commencement of the engagement to avoid misunderstanding.

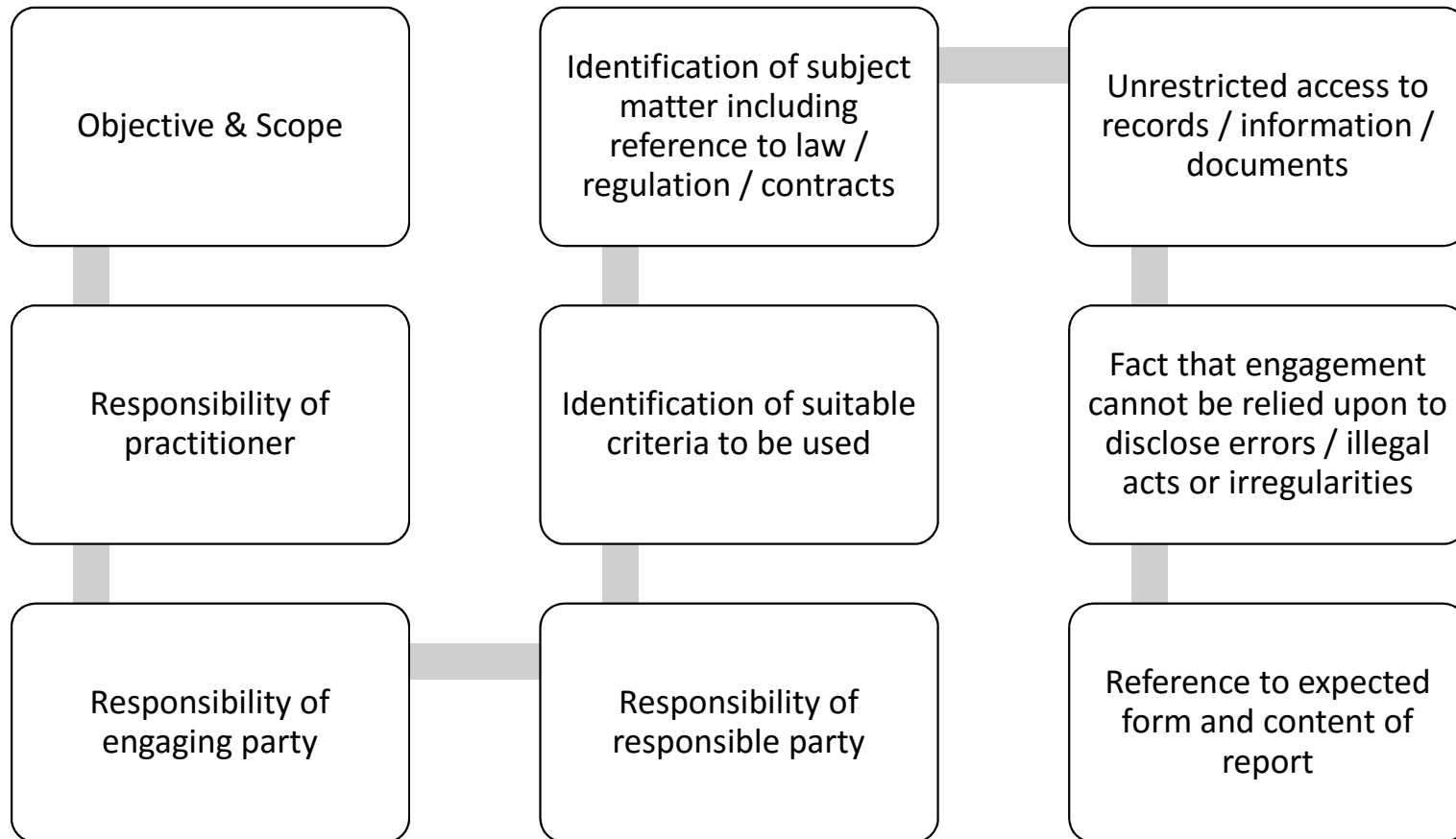
Under laws / regulations

- Law or regulation in sufficient details prescribes the terms of engagement, the practitioner need not record them in writing, except for the fact that such law or regulation applies and appropriate party acknowledges and understands its responsibility.

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.

Terms / Content of engagement letter



Assurance Report Prescribed by Law or Regulation

Prescribes layout or wording

- In these circumstances, the practitioner would need to evaluate:
 - Whether intended users might misunderstand the assurance conclusion; and
 - If so, whether additional explanation in the assurance report can mitigate possible misunderstanding.

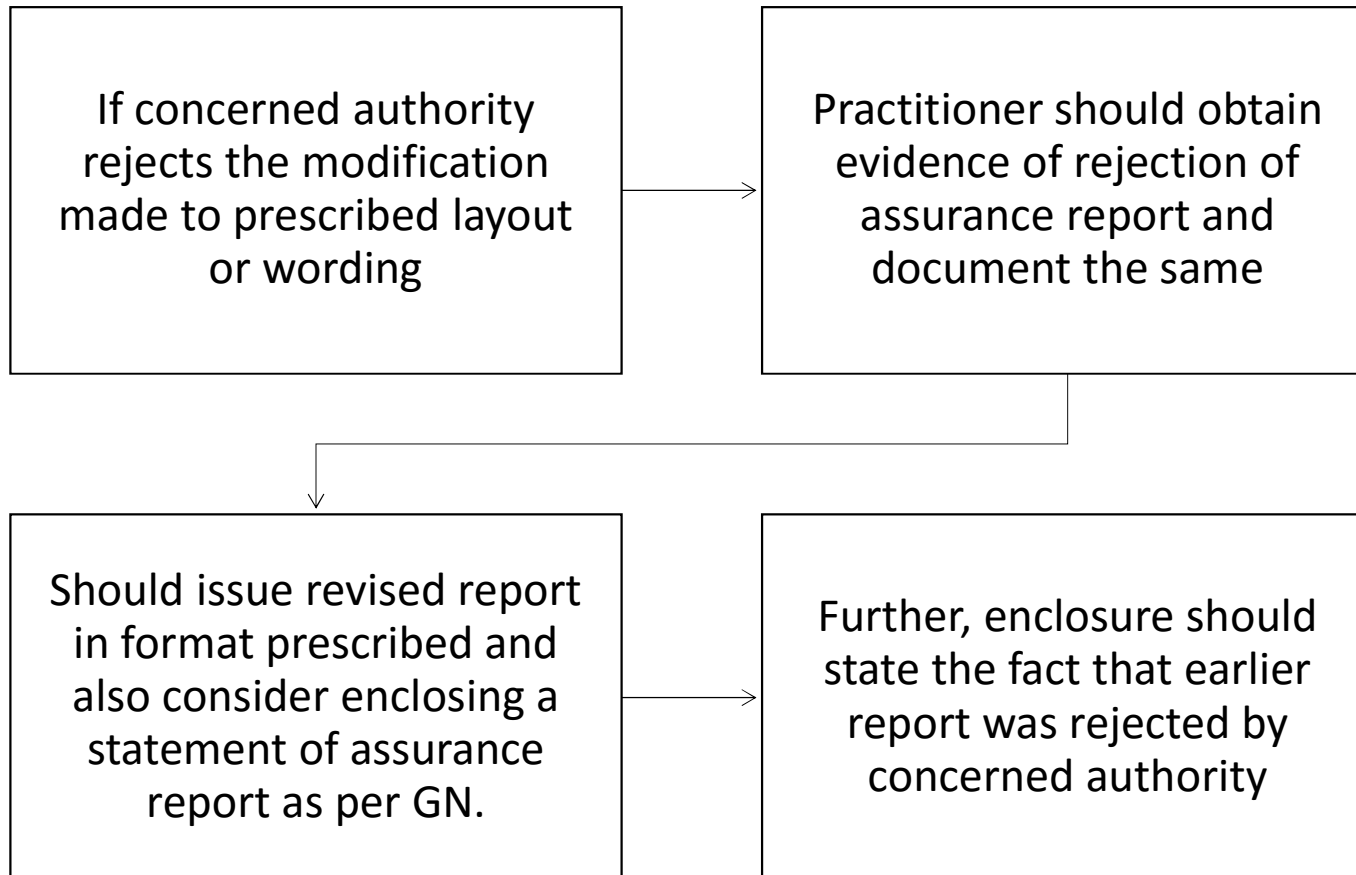
Additional explanation

- If the law or regulation does not allow to provide such additional explanation 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.

Modification in layout or wording

- If practitioner finds that he need to modify the layout and wording prescribed.
- Both, the parties should agree on the resulting modification and such agreement should be duly documented in engagement letter.
- If engaging parties does not agree to this approach, practitioner should consider whether it would be appropriate to accept the engagement.

Assurance Report Prescribed by Law or Regulation



Time limitation

- In case of emergency circumstances say due date for compliance are near by and normal process of rejection cannot be followed due to lack of time, GN provides that :
 - To issue report / certificate as per the format prescribed by law and
 - Ensuring that all the other requirements of the GN are complied and enclose a statement as referred above giving suitable reference of such 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.)



Illustrative formats

Illustrative format of Report / Certificate



Microsoft Word
Document



Adobe Acrobat
Document




Checklist

Check list

Sr. No.	Particulars	Yes / No / N.A	Remarks if any
1	Report / certificate covered by any SA / SREs / SAEs / SRSs issued by ICAI?		
2	Communication with previous auditor / practitioner is required?		
3	Whether Minimum element prescribed by the GN are included in assurance report?		
	Reference of compliance with GN is given?		
	SQC-1 reference in report is given?		
	Reference to the compliance with Code of ethics is give?		
4	Report / Certificate is issued under law / regulation?		
5	If above answer is yes, whether law / regulation prescribes any layout or wording of assurance report?		





Thank You
CA Sandeep Shah