

**PRACTICAL INSIGHTS INTO ISSUE
OF CERTIFICATES (AS PER
GUIDANCE NOTE)
AND
AGREED UPON PROCEDURES. (AS
PER SRS 4400)**

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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.
- Level of assurance - High
- Evidence are Conclusive in nature

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.
- Level of assurance - Medium
- Evidence are Persuasive in nature



TYPE OF CERTIFICATES- BASED ON ASSURANCE

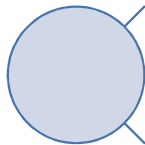
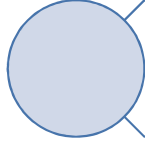
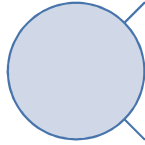
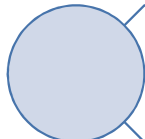
POINTS TO CONSIDER TO DECIDE TYPE OF ASSURANCE I.E. REASONABLE OR LIMITED

- 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



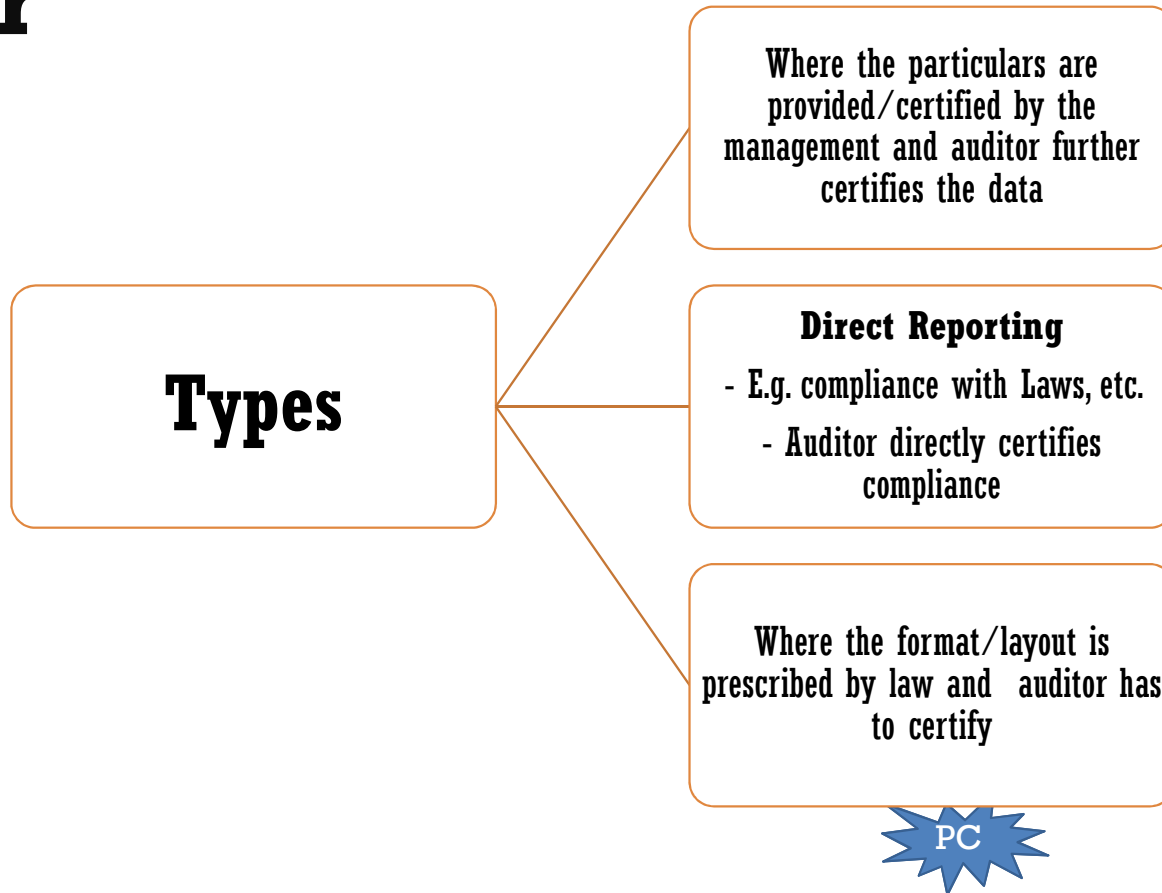
TYPE OF CERTIFICATES- BASED ON ASSURANCE

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



Type Of Certificates- Based on Subject Matter



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

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

- ✓ Define the Statement/Annexure(s) containing the particulars certified by the management in the introductory paragraph
- ✓ Add paragraph stating the management responsibility towards the internal control and preparation of Statement under the 'Management Responsibility' para
- ✓ Reference to the Statement/Annexure(s) should appear in the Opinion/Conclusion para
- ✓ The Statement/Annexure(s) are to be enclosed along with the certificate
- ✓ 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

- ✓ 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 covering letter 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



WHAT ARE THE COMMON TYPES OF CERTIFICATES ISSUED BY CHARTERED ACCOUNTANTS?

Some common certificates include:

1. Net worth certificates
2. Turnover certificates
3. Tax compliance certificates
4. Certificates for bank loans
5. Certificates for government schemes and subsidies



AUP V/S CERTIFICATE

AUP	CERTIFICATE
<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Guidance Note on Reports or Certificates for Special Purposes• Issuing an opinion/ conclusion• Assurance Expressed



Q1

- **Can an email request from the client for issuing a certificate be considered as a deemed engagement letter, or is it necessary to obtain a specific engagement letter in the prescribed format before issuing the certificate?**

Answer: No, an email request alone does not substitute a proper engagement letter. It is always advisable to obtain a formal engagement letter in accordance with SA 210 to clearly define the scope, responsibilities and terms, thus ensuring audit quality.

It can be combined with statutory audit EL as well.



Q2

- **Whether Net Worth Certificate can be issued on the basis of provisional balance sheet by mentioning in the certificate that this certificate is being issued on the basis of provisional balance sheet signed by the director/partner/proprietor. Or can it be mentioned that the Accounts are 'Unaudited'?**

Answer: No, Certificates should not be issued on the basis of provisional FS. However, it can be issued on the basis of unaudited FS, and the said fact should be clearly mentioned in the Certificate that the financials are not subject to audit and they are management certified.



Q3

- **A local authority requires a Chartered Accountant's certification of Work-in-Progress (WIP) for tender purposes. In practice, the CA's request an engineer-certified status report of the work as supporting evidence. However, there is an uncertainty about the appropriateness of certifying such statements, especially since there is no standard format prescribed. The authority provides its own annexure and requests the CA to sign on that basis. How appropriate is it to certify WIP in such cases, and what precautions should be taken?**

Answer: In such cases, the CA should obtain adequate supporting documents such as an engineer's certificate. A certificate may be issued with a statement that expert is involved in certification. Due care should be exercised to avoid certifying matters outside the accountant's expertise.

When there is use of expert, the work to be carried out by practitioner should be in accordance with the requirements of the standard / GN.



Q4

- **Many clients insist on certificate for which language has been prescribed by regulators like RBI or IRDA. These formats are not in line with the guidance of the Institute. How to address this matter.**

Answer: Where prescribed formats are not in line with ICAI GN, the CA should suitably modify the certificate to include necessary disclaimers and mention the factual position, or decline if it is not possible to report as per professional standards.

Alternatively, annexure / covering letter be prepared to cover all the aspects which is issued along with the certificate and duly cross referenced in the certificate and in the letter / annexure.



Q5

- **Can a CA attest photocopies of various papers, like birth certificate etc.? Whether ITR certification is allowed? Further, if it is not allowed, then can a CA certify that the turnover as per ITR is as per the books of accounts? How to deal with request for a KYC certificate for opening a bank account?**

Answer: A CA cannot attest photocopies of documents like birth certificates as it amounts to authentication of documents issued by other authorities. ITR certification is also not permitted. Refer FAQs issued by UDIN directorate in this regard.



Q6

- **Whether a CA can certify un-audited financial statements?**

Answer: No. There is no certification of the unaudited FS. In case General purpose FS is not being prepared by the Co, the FS can be prepared for specific purpose / special purpose and the report will be issued under SA 800.



Q7

- **In a case where goods have been destroyed due to a fire accident and the books of account for FY 2024–25 have not yet been prepared; the client provides the estimated value of the destroyed stock on their letterhead. How should a Chartered Accountant approach issuing a certificate in such a situation?**

Answer: This is a vague request and a Certificate in this regard is not viable.



Q8

- **While issuing a certificate for Stock statement, can it be mentioned that the stock has not been counted Physically? Can only the stock statement, duly stamped and signed by the member be submitted to the bankers or the intended addressee without a complete report as per the Guidance Note?**

Answer: If the stock has not been physically verified, what is being certified is under question. Stock as per books in case derived directly from the books of account are to be certified, fact should be clearly brought out in the certificate. No comfort should be provided on the physical stock.

Further, stamping / signing of the stock statement is not an appropriate purpose as stated in the GN.



Q9

- **Can a statutory auditor issue a certificate attesting to the augmentation of installed production capacity arising from the commissioning of additional plant and machinery?**

Answer: A Chartered Accountant will not have the knowledge in this regard and hence it should be avoided. In case of use of expert, work should be accordingly carried out.



Q10

- **In the case of turnover certificates required for submission to multiple parties in connection with different tenders, can a single certificate be issued for general use, or is it mandatory to issue separate certificates addressed to each specific party, each with a distinct UDIN?**

Answer: No, each certificate may have a different recipient and a different purpose. Separate certificates with specific addresses, purpose and UDINs must be issued for each addressee, as ICAI does not permit issuance of generic certificates for multiple purposes or parties.



Q11

- **How can a Chartered Accountant certify future related matters Like –**
 - **certification of the projected procurement of materials for a specific product or stating that the client will use only "Make in India" products in the contract.**
 - **borrowed funds will be utilised for the intended purpose or will not be used for any other purpose.**

Answer: CAs should refrain from certifying future events or intentions, such as projected procurement or fund usage. They may, at best, issue a factual report on past transactions or management representations with disclaimers but cannot provide assurance on future commitments.



Q12

- **What are the key considerations for a CA while issuing a certificate?**

Answer: As per ICAI's guidance note, a CA must ensure:

Professional competence and due diligence

Adherence to ethical standards

Verification of supporting documents

Compliance with applicable laws and regulations

Clear and unambiguous wording in the certificate



Q13

- **What are the risks associated with issuing certificates, and how can CAs mitigate them?**

Answer: Risks include:

Misrepresentation or incorrect information

Legal liability for errors or omissions

Fraudulent use of certificates

Non-compliance with ICAI guidelines

Mitigation strategies: Proper documentation, thorough verification, and adherence to ICAI's ethical and professional standards.



Q14

- **How does the Unique Document Identification Number (UDIN) system enhance the credibility of certificates issued by CAs?**

Answer: The UDIN system, introduced by ICAI, ensures authenticity and prevents misuse of certificates. It allows stakeholders to verify the legitimacy of a certificate issued by a CA, thereby enhancing transparency and trust.



Q15

- **What are the consequences of issuing an incorrect or misleading certificate?**

Answer: A CA may face:

Disciplinary action by ICAI
Legal consequences, including penalties
Loss of professional reputation
Potential financial liabilities



Q16

▪ **What kind of certificates should not be issued by chartered accountants**

Chartered Accountants (CAs) in India must adhere to ethical and professional guidelines when issuing certificates. According to ICAI's Guidance Note on Reports or Certificates for Special Purposes, certain types of certificates should not be issued by CAs, including:

- Certificates without proper verification
- CAs should not issue certificates without thoroughly verifying supporting documents and financial records.
- Certificates with vague or misleading language
- Certificates must be clear, specific, and unambiguous. Using phrases like "To Whom It May Concern" without proper context can lead to disciplinary action.
- Certificates outside the CA's professional expertise
- CAs should avoid certifying matters beyond their professional competence, such as legal opinions or medical reports.
- Certificates based on provisional financial statements
- Certificates that violate ICAI's ethical guidelines
- Any certificate that misrepresents facts or is issued without due diligence can lead to professional misconduct.



DOS AND DON'TS IN ISSUE OF CERTIFICATES

Dos

- Ensure proper verification of all supporting documents.
- Issue certificates only within your professional competence and jurisdiction.
- Use clear, specific, and unambiguous language.
- Comply with ICAI's Guidance Note on Reports or Certificates for Special Purposes.
- Mention the basis of the certificate (audited/unaudited/provisional) explicitly.
- Use UDIN for each certificate to ensure authenticity.

Don'ts

- Do not issue certificates without sufficient evidence or due diligence.
- Avoid vague terms like "To Whom It May Concern" without proper context.
- Do not certify future projections or assumptions without clear disclaimers.
- Avoid certifying documents prepared by others (like legal opinions, valuation reports) without proper validation.
- Never compromise on ICAI's ethical and professional standards to accommodate client pressure.



