

Frequently Asked Questions (FAQs)

CSAS-1: Auditing Standards on Audit engagement (the standard')

|| Scope||

1. What is the scope of CSAS-1 and what does it deal with?

CSAS-1 is applicable to the Auditor undertaking Audit Engagement under any statute. The Standard deals with the Auditor's role and responsibilities with respect to an Audit Engagement and the process of entering into an understanding/agreement with the Appointing Authority for the purpose of audit.

2. Is CSAS-1 mandatory?

CSAS-1 is mandatory for audit engagements accepted on or after April 01, 2021.

3. Is CSAS-1 applicable to any auditor undertaking audit engagement? Will CSAS-1 be applicable in case Cost accountant undertakes Cost audit of the company?

The CSAS-1 is applicable to Company Secretary in practice and not applicable to any other professional auditor.

4. Is CSAS-1 applicable for audits on voluntary basis by appointing authority?

No. CSAS-1 is applicable where the audit is required under any statute. However, adherence to the Standard is recommended in case of voluntary audits.

5. Is CSAS-1 applicable if the Auditor is appointed by Court / Tribunal?

In case of appointment by a Court, Tribunal or any Regulatory authority, CSAS-1 shall apply to the extent possible, since the manner of appointment and terms of engagement in such cases shall be as per the directions of the Court, Tribunal or Regulatory Authority.

|| Audit engagement process||

6. What documents are required at the time of audit engagement?

The appointment of auditor shall be in manner as prescribed in the Act and incase if an Act does not prescribe any specific manner, then it shall be as per the manner determined by

the appointing authority. The Auditor shall submit a certificate confirming eligibility for such appointment.

The appointing authority shall issue Audit Engagement Letter along with a copy of the resolution, if any, passed by the appointing authority and Auditor shall provide acceptance letter to the appointing authority.

7. What information is to be provided in the Audit engagement letter?

Wherever the objective and scope of the audit and responsibilities of the Management and of the Auditor have been established by law, the Audit Engagement Letter shall give a reference to the provisions of the relevant law. Further, the Audit Engagement Letter shall inter alia include:

- a. The objective and scope of the audit;
- b. The responsibilities of the Auditor and the Auditee;
- c. Written representations provided and/or to be provided by the Management to the Auditor, including particulars of the Predecessor or Previous Auditor;
- d. The period within which the audit report shall be submitted by the Auditor, along with milestones, if any;
- e. The commercial terms regarding audit fees and reimbursement of out of pocket expenses in connection with the audit; and
- f. Limitations of audit, if any.

8. Is communication to previous auditor required?

Yes, the Auditor shall communicate in writing to the predecessor or previous auditor, if any before accepting the audit engagement.

9. What does the term Predecessor or previous auditor mean?

Predecessor or Previous Auditor means an Auditor who has conducted the most recent audit assignment of the Auditee and submitted report thereon prior to the incumbent Auditor or was engaged but did not complete the audit assignment due to his resignation, termination or otherwise.

10. Can an Auditor accept any number of audits?

The Auditor shall accept audit engagements within the limits of number of audits, if any, as may be prescribed under any law or by ICSI from time to time.

|| Conflict of Interest ||

11. Can an auditor accept Audit engagement even if there is conflict of interest?

Yes. The Auditor can accept audit engagement where there is conflict of interest with the Auditee by making disclosure before accepting audit engagement or on becoming aware of such conflict. However in case of substantial conflict of interest Auditor cannot accept Audit engagement.

12. What is substantial conflict of interest?

Substantial conflict of interest is explained under Explanation to Para 3 of the CSAS-1. Substantial conflict of interest is:

- i. Holding of more than 2% in the paid-up share capital or shares of nominal value of rupees fifty thousand, whichever is lower or more than 2% voting power, as the case may be, by the Auditor singly or along with partners, spouse, parent, sibling, and child of such person or of the spouse, any of whom is dependent financially on such person.
- ii. Indebtedness of the Auditor for an amount exceeding rupees five lakh other than that arising out of ordinary course of business of the Auditee: Provided that any indebtedness that may seriously impair his independence shall also be considered as substantial conflict of interest.
- iii. Where an Auditor was in employment of the Auditee, its holding or subsidiary company and 2 (two) years have not lapsed from the date of cessation of employment, the same shall be considered as substantial conflict of interest.

|| Changes in terms of Audit Engagement ||

13. Can terms of audit engagement be changed?

As per Para 5.1 of CSAS-1, unless there is reasonable justification for doing so, the auditor shall not agree to change the terms of Audit Engagement. Further, if before completion of the assignment, the Auditor is requested by the Appointing Authority to change the scope of engagement, resulting in a lower level of assurance, the Auditor shall consider the appropriateness of carrying out the same.

14. Is revised / supplementary audit engagement letter required for changing the terms of audit engagement?

As per Para 5.3 of CSAS-1, whenever there are changes in terms of Audit Engagement, the Auditor and Appointing authority shall agree on new terms of the engagement by way of supplementary / revised engagement letter or any other suitable form of writing.
