

ICSI AUDITING STANDARDS (CSAS-1 to CSAS-4)

(Revised version effective from 1st April, 2021)

CSAS-1 – Auditing Standard on Audit Engagement

CSAS-2 – Auditing Standard on Audit Process and Documentation

CSAS-3 – Auditing Standard on Forming of Opinion

CSAS-4 – Auditing Standard on Secretarial Audit



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

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CSAS-1
AUDITING STANDARD ON
AUDIT ENGAGEMENT

CSAS-1

Auditing Standard on Audit Engagement

Scope

This Auditing Standard ('the Standard') 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.

Effective Date

The Standard is effective and recommendatory for Audit Engagements accepted by the Auditor on or after 1st July, 2019 and mandatory for Audit Engagements accepted by the Auditor on or after 1st April, 2021.

Objective

The objective of the Standard is to prescribe for the Auditor, principles and procedures to be followed while accepting or continuing with an Audit Engagement by agreeing to the terms of engagement with the Appointing Authority or any changes therein and matters relating thereto.

Definitions

For the purpose of Auditing Standards (CSAS) issued by The Institute of Company Secretaries of India (ICSI), the following terms shall have the meaning attributed as below, unless specified otherwise:

- (1) "Appointing Authority" means any person having authority to appoint the Auditor.

- (2) "Audit Engagement" means detailed terms of reference of appointment including scope of audit, remuneration and limiting conditions, if any.
- (3) "Auditee" means a person subject to audit.
- (4) "Auditor" means a Company Secretary who is deemed to be in practice under sub-section (2) of Section 2 of the Company Secretaries Act, 1980 and includes a firm or Limited Liability Partnership (LLP) registered with ICSI, undertaking the Audit.
- (5) "Management" includes Board of Directors and persons who have been entrusted with the responsibility of governance and compliances of the Auditee.
- (6) "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.

1. Audit Engagement Process

The Auditor shall undertake the following steps with respect to the Audit Engagement:

1.1 Appointment

1.1.1 The appointment of Auditor shall be made in the manner prescribed in the applicable laws, act, rules, regulations, standards and guidelines or in case no such manner has been prescribed, such appointment shall be made in the manner determined by the Appointing Authority.

1.1.2 The Auditor shall submit a Certificate to the Appointing Authority confirming eligibility for appointment as Auditor.

1.1.3 The Auditor shall obtain an Audit Engagement Letter along with a copy of the resolution, if any, passed by the

Appointing Authority and shall provide acceptance to the Appointing Authority.

1.2 Audit Engagement Letter

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.

Where 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 along with a statement that the Management acknowledges and understands its responsibilities for preparation and maintenance of records and for devising proper systems to ensure compliance with the provisions of applicable laws, act, rules, regulations and standards for the time being in force.

1.3 Communication to the Predecessor or Previous Auditor

The Auditor shall communicate in writing to the Predecessor or Previous Auditor, if any, before accepting the Audit Engagement.

2. Limits on Audit Engagements

The Auditor shall accept Audit Engagements within the limits

of number of audits, if any, as may be prescribed under any law for the time being in force or by the ICSI from time to time.

3. Conflict of Interest

The Auditor shall not have any substantial conflict of interest with the Auditee. Any conflict of interest, other than substantial conflict of interest, must be disclosed by the Auditor before accepting the Audit Engagement or as soon as the Auditor becomes aware of the same, as the case may be.

Explanation:

Substantial Conflict of Interest means:

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.

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.

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.

4. Confidentiality

4.1 The Auditor shall not disclose the information obtained during the course of Audit without proper and specific authority or unless there is a legal obligation or duty to disclose.

4.2 The Auditor shall not use or share with any person any information obtained except for the purposes of audit.

4.3 The Auditor shall take all reasonable steps to ensure that employees, staff and other team members of the Auditor and persons engaged by the Auditor to provide advice or assistance during the conduct of audit, shall also adhere to the Auditor's duty of confidentiality.

5. Changes in terms of engagement

5.1 The Auditor shall not agree to a change in the terms of the Audit Engagement where there is no reasonable justification for doing so.

5.2 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.

5.3 If the terms of the Audit Engagement are changed, the Auditor and the Appointing Authority shall agree on the new terms of the engagement by way of a supplementary/revised engagement letter or any other suitable form in writing.

CSAS-2
AUDITING STANDARD ON
AUDIT PROCESS AND
DOCUMENTATION

CSAS-2

Auditing Standard on Audit Process and Documentation

Scope

This Auditing Standard ('the Standard') is applicable to the Auditor undertaking Audit under any statute. The Standard deals with responsibilities and duties of the Auditor with respect to Audit Process in conducting audit and maintaining proper audit documents.

Effective Date

The Standard is effective and recommendatory for Audit Engagements accepted by the Auditor on or after 1st July, 2019 and mandatory for Audit Engagements accepted by the Auditor on or after 1st April, 2021.

Objective

The objective of the Standard is to prescribe principles for an Auditor:

- (i) to conduct audit as per the specified audit process;
- (ii) to maintain documentation that provide:
 - (a) sufficient and appropriate record to form the basis for the Auditor's Report; and
 - (b) evidence that the audit was planned and performed in accordance with the applicable Auditing Standards and statutory requirements.

Definitions

For the purpose of Auditing Standards (CSAS) issued by The Institute of Company Secretaries of India ('ICSI'), the following terms shall have the meaning attributed as below, unless specified otherwise :

- (1) "Audit Documents" means the working papers prepared or records obtained by the Auditor in connection with the audit.
- (2) "Audit Evidence" refers to relevant information and documents gathered in the course of the audit for arriving at the conclusion on which the Auditor's opinion is based.
- (3) "Management" as defined in CSAS-1.

1. Audit Planning

1.1 The Auditor shall make audit plan to conduct audit as per the terms of Audit Engagement.

1.2 Audit planning means establishing and developing an overall audit process, including but not limited to:

- a. Identification of broad audit areas;
- b. Seeking previous audit findings and observations from the Management and the Predecessor or Previous Auditor, in case of change of Auditor;
- c. Determination of subject matters and audit areas requiring special attention, when considered necessary;
- d. Risk Assessment and Materiality;
- e. Audit technique;
- f. Allocation of audit resources for the audit; and
- g. Preparation of audit schedule.

1.3 The audit shall be planned in a manner which ensures that qualitative audit is carried out in an efficient, effective and timely manner. Audit planning shall ensure that appropriate attention is accorded to crucial areas of audit and significant issues are identified in a timely manner.

1.4 The Auditor shall plan the audit with professional scepticism so that it is possible to exercise professional judgment in an objective manner.

1.5 The Auditor shall adhere to the audit plan. The audit plan may be modified, if circumstances so warrant.

2. Risk Assessment

2.1 Risk assessment of the Auditee with respect to and connected/relevant to the Audit Engagement shall be done considering industrial & business environment, organisational structure and compliance requirements.

2.2 The Auditor shall evaluate high risk areas and activities of the Auditee relating to:

- a. Internal control systems and processes of the Auditee for adherence to the constitutional documents, applicable laws, acts, rules, regulations and standards;
- b. Transparency, prudence and probity; and
- c. Changes or Attrition in the compliance team and frequency of such changes and attrition.

3. Information about the Auditee

The Auditor shall obtain sufficient information about the Auditee that is relevant for conduct of audit and forming an opinion and its expression.

4. Audit Check-lists

The Auditor shall use systematic and comprehensive audit

check-lists for carrying out the audit and to verify the compliance requirements.

5. Collection and Verification of Audit Evidence

5.1 The Auditor shall verify compliance with applicable laws, act, rules, regulations and standards. Deviation, if any, shall be recorded.

5.2 The Auditor shall obtain complete, relevant and necessary evidence to support the opinion.

5.3 The process of gathering and evaluating evidence shall continue until the Auditor is satisfied that sufficient and appropriate evidence exists to provide a basis for formation of the Audit Opinion.

6. Third Party Confirmation

The Auditor shall obtain confirmations from third party(ies), wherever required, with respect to information which is related to such party(ies).

7. Analysis of Audit Evidence

7.1 The Auditor shall evaluate the Audit Evidence to arrive at the conclusion.

7.2 While evaluating evidence, if the Auditor finds that Audit Evidence is conflicting, the Auditor shall assess the extent and credibility of conflicting evidence in order to reach a conclusion or collect more evidence to resolve the conflict.

8. Documentation

8.1 The Auditor shall adequately document the Audit Evidence in working papers, including the basis and extent of planning, work performed and the findings of audit.

8.2 The Audit Documents shall contain sufficient

information to enable an Auditor, having no previous connection with the audit, to ascertain from such documents, the significant findings and conclusions of the Auditor.

8.3 Audit Documents shall take place throughout the audit process. Working papers shall be complete and appropriately detailed to provide a clear trail of the audit. Audit Documentation shall be properly indexed, referenced with and supplemented by the set of working papers.

8.4 The Auditor shall also document discussions with the Management with respect to significant matters in respect of which written record is not available.

9. Record Keeping and Retention

9.1 The Auditor shall establish policies and procedures for retention of Audit Documents.

9.2 The Audit Documents shall be collated for records within a period of 45 days from the date of signing of Auditor's Report.

9.3 The Audit Documents shall be maintained in physical or electronic form and retained for a period of 8 years from the date of signing of Auditor's Report.

CSAS-3
AUDITING STANDARD ON
FORMING OF OPINION

CSAS-3

Auditing Standard on Forming of Opinion

Scope

This Auditing Standard ('the Standard') is applicable to the Auditor undertaking Audit under any statute. The Standard deals with basis and manner for forming Auditor's opinion on subject matter of the audit.

Effective Date

The Standard is effective and recommendatory for Audit Engagements accepted by the Auditor on or after 1st July, 2019 and mandatory for Audit Engagements accepted by the Auditor on or after 1st April, 2021.

Objective

The objective of the Standard is to enable the Auditor to lay down the basis and manner for evaluation of the conclusions drawn from the Audit Evidence obtained and express the opinion through written report.

Definitions

For the purpose of Auditing Standards (CSAS) issued by The Institute of Company Secretaries of India ('ICSI'), the following terms shall have the meaning attributed as below, unless specified otherwise:

- (1) "Audit Evidence" as defined in CSAS-2.
- (2) "Misstatement" means any information or statement which is false, incorrect, incomplete, misleading or misrepresents, omits or suppresses a material fact.

- (3) "Materiality" is the threshold above which missing or incorrect information is considered to have an impact on the decision making of the Auditor. Information is considered as material if its omission or misstatement could influence the opinion of the Auditor. Materiality can also be construed in terms of net impact.
- (4) "Records" include:
- (i) Memorandum and Articles of Association, bye-laws or any other constitutional documents;
 - (ii) Minutes, returns, forms, index and Registers;
 - (iii) Books and papers including books of accounts, deeds, vouchers;
 - (iv) Agreements, Memorandum of Understanding;
 - (v) Other documents maintained by the Auditee either in physical or electronic form; and
 - (vi) Correspondence.
- (5) "Third Party" means any person who does not have a direct connection with the audit but whose inputs or opinion might influence the audit conclusion and includes an expert.

1. Process for forming of opinion

1.1 The Auditor shall consider Materiality while forming his opinion and adhere to:

- a. The **principle of completeness** that requires the Auditor to consider all relevant Audit Evidence before issuing a report;
- b. The **principle of objectivity** that requires the Auditor to apply professional judgment and scepticism in order to ensure that all reports are factually correct and that findings or conclusions are presented in a relevant and

appropriate manner;

- c. The **principle of timeliness** that implies preparing the report in due time; and
- d. The **principle of a contradictory process** that implies checking the accuracy of facts and incorporating responses from concerned persons.

1.2 Judgment, Clarification and Conflicting Interpretation

The Auditor may consider various judgments, clarifications, opinion, conflicting interpretations while framing the opinion to the best of his professional acumen.

2. Precedence and Practices

The Auditor shall adhere to generally accepted precedence and practices in relation to forming of an opinion as may be available from historical perspective of any kind of audit.

3. Third Party Report or Opinion

The Auditor shall adhere to the following while forming an opinion based on Third Party reports or opinions:

- (a) The Auditor shall indicate the fact of use of Third Party report or opinion and shall also record the circumstances necessitating the use of third party report or opinion;
- (b) The Auditor shall indicate the fact if Third Party report or opinion is provided by the Auditee;
- (c) The Auditor shall consider the important findings/ observation of Third Party;
- (d) The Auditor shall, if necessary and feasible, carry out a supplemental test to check veracity of the Third Party report or opinion.

4. Form of an Opinion

4.1 Unmodified Opinion

The Auditor shall express an unmodified opinion when based on Audit Evidence, the Auditor concludes that:

- a. there is due compliance with the applicable laws in terms of timelines and process; and
- b. the Records as relevant for the audit verified by him as a whole are free from Misstatement and maintained in accordance with the applicable laws.

4.2 Modified Opinion

4.2.1 The Auditor shall express modified opinion when the Auditor concludes that:

- (a) based on the Audit Evidence obtained, there is non-compliance with the applicable laws in terms of timelines or process; or
- (b) based on the Audit Evidence obtained, the Records as a whole are not free from Misstatement; or are not maintained in accordance with applicable laws; or
- (c) he is unable to obtain sufficient and appropriate Audit Evidence to conclude that there is due compliance with the applicable laws in terms of timelines and process; or
- (d) he is unable to obtain sufficient and appropriate Audit Evidence to conclude that the Records as a whole are free from Misstatement; or are maintained in accordance with applicable laws.

4.2.2 Whenever the Auditor expresses a modified opinion or disclaims an opinion, the text of the opinion shall be either in italics or bold letters.

4.3 Limitation

4.3.1 If, after accepting the Audit Engagement, the Appointing Authority imposes a limitation on the scope of the audit which, in the opinion of the Auditor, is likely to result in the need to express a modified opinion or to disclaim an opinion, the Auditor shall request the Appointing Authority to remove the limitation.

4.3.2 If the Appointing Authority refuses or fails to remove the limitation, the Auditor shall communicate the matter to the Management and determine whether it is possible to perform alternative procedure to obtain sufficient and appropriate Audit Evidence.

4.3.3 If the Auditor is unable to obtain sufficient and appropriate Audit Evidence, the Auditor shall determine the implications as follows:

- a. If the Auditor concludes that the possible effects of unavailable Audit Evidence could be non-material, the Auditor shall modify the opinion; or
- b. If the Auditor concludes that the possible effects of unavailable Audit Evidence could be material, the Auditor shall express disclaimer of opinion.

5. Auditor's Responsibility

5.1 The Auditor's Report shall include a section with the heading "Auditor's Responsibility". Auditor's Report shall state that the responsibility of the Auditor is to express opinion on the compliance with the applicable laws and maintenance of records based on audit. The Auditor's Report shall also state that the audit was conducted in accordance with applicable Standards. The Auditor's Report shall also explain that those Standards require that the Auditor comply with statutory and regulatory requirements and plan and perform the audit to obtain

reasonable assurance about compliance with applicable laws and maintenance of Records.

5.2 Auditor's Report shall state that due to the inherent limitations of an audit including internal, financial and operating controls, there is an unavoidable risk that some Misstatements or material non-compliances may not be detected, even though the audit is properly planned and performed in accordance with the Standards.

6. Format of Report

6.1 The report shall be addressed to the Appointing Authority unless otherwise specified in the Audit Engagement Letter or provided in the applicable law. The report shall be detailed enough to serve its intended purpose. Where specific formats are prescribed, those formats shall be followed for reporting. If any information cannot be appropriately placed within the paragraphs of the report, it shall be given in form of annexure(s).

6.2 Signature block shall mention the name of the audit firm along with the registration number, if any, the name of the Auditor, certificate of practice number, the membership number of the Auditor, specifying whether associate or fellow member, as applicable. The Auditor shall clearly mention date and place of signing the report, in case report is signed by two different persons on different dates or different places; same shall be mentioned in the report.

CSAS-4
AUDITING STANDARD ON
SECRETARIAL AUDIT

CSAS-4

Auditing Standard on Secretarial Audit

Scope

This Auditing Standard ('the Standard') is applicable to the Auditor undertaking Secretarial Audit under Section 204 of the Companies Act, 2013 and rules made thereunder. The Standard deals with basis and manner for carrying out the Secretarial Audit.

Effective Date

The Standard is effective and recommendatory for Secretarial Audit accepted by the Auditor on or after 1st July, 2019 and mandatory for Secretarial Audit accepted by the Auditor on or after 1st April, 2021.

Objective

The objective of the Standard is to lay down the principles for evaluation of statutory compliances and corporate conduct in relation thereto.

Adherence to other Auditing Standards

The Auditor shall adhere to the Auditing Standards on – (a) Audit Engagement (CSAS-1); (b) Audit Process and Documentation (CSAS-2); and (c) Forming of Opinion (CSAS-3).

Definitions

For the purpose of Auditing Standards (CSAS) issued by The Institute of Company Secretaries of India ('ICSI'), the following

terms shall have the meaning attributed as below, unless specified otherwise:

- (1) "Management" as defined in CSAS-1
- (2) "Records" as defined in CSAS-3.

1. Identification and segregation of applicable laws

The Auditor shall take note of the industry specific laws and other laws as may be applicable to the Auditee based on the identification/segregation by the Management and his own verification.

2. Verification of corporate conduct and compliance of laws

2.1 Identification of Events/Corporate Actions

The Auditor shall identify events/corporate actions that took place during the audit period. The identification shall be made by reviewing the website of the regulators, website of the Auditee, statutory records including books and papers, interaction with the Management and in any other appropriate manner.

2.2 Verification of Compliance

The Auditor shall verify all event and calendar based compliances from the Records of the Auditee, database or website of the regulators and other relevant sources.

3. Board Composition

The Auditor shall verify compliance of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, agreement with Lenders/Investors, Articles of Association and provisions of other Acts / rules/ regulations, guidelines and policies, board decisions, shareholders decisions, as may be applicable to the Auditee with regard to:

3.1 Overall composition of the Board including the minimum and maximum strength of the Board.

3.2 Optimum combination of the Board including proportion of executive, non-executive, independent, non-independent, retiring, non- retiring, woman and nominee director.

3.3 Eligibility criteria including disqualifications of directors.

3.4 The constitution and composition of Committees of the Board.

4. Board Processes

The Auditor shall verify that the decisions of the Board and its Committees are taken and recorded in compliance with applicable laws, rules, regulations, guidelines, standards and defined internal processes, if any.

5. System and Process

System and process broadly refers to the framework of legal and procedural compliances of the Auditee including but not limited to internal regulations, control, guidance and governance.

The Auditor shall assess the efficacy and adequacy of the system and processes of the Auditee commensurate with its size and operation for verifying compliance of applicable laws, rules, regulations, standards, guidelines and defined internal processes, if any by:

5.1 Reviewing records maintained by the Auditee.

5.2 Understanding compliance responsibility centers, control points, matrix, flow of information, escalation of non-compliances to different levels, reporting of any non-compliance.

5.3 Assessing compliance mechanism and understanding its extent, coverage and severity mapping. The Auditor shall also

assess compliance manual/standard operating procedures, if any, available with the Auditee.

5.4 Analysing instances of show cause notices received, prosecution initiated, fine or penalties levied, imprisonment ordered, qualification, adverse remark or observations in the statutory, internal or industry specific audit, orders passed by regulatory bodies or judicial/quasi-judicial authorities.

6. Detection of Fraud

6.1 The Auditor shall exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit to detect and report the fraud envisaged under the provisions of Section 143(12) of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014.

6.2 During the course of the audit, if the Auditor suspects commission of any fraud, he shall endeavour to collect further evidence for the same. The suspicion may arise on perusal of internal control systems, complaint under whistle blower mechanism and reports of the other auditors, etc.

6.3 The Auditor shall ensure to collect sufficient evidence which substantiates his suspicion of the commission of the fraud against the Auditee by its employees and officers.

7. Reporting of Fraud

7.1 If the Auditor has sufficient reason to believe that there is commission of fraud and have justifiable grounds for the same, he shall report to Audit Committee/Board/Central Government as per the process laid down under the Companies Act, 2013 and include the same in Secretarial Audit Report.

7.2 The Auditor shall verify whether the Audit Committee/Board has given any comments on the fraud reported by the auditors in their report in terms of the provisions of the Companies Act, 2013.

7.3 The Auditor shall verify if the fraud detected by other Auditor has been reported to the Audit Committee/Central Government and report the same in the Secretarial Audit Report.

8. Identification and Reporting of the events/actions having major bearing on Auditee's affairs

8.1 It shall be the duty of the Auditor to identify and report in the Secretarial Audit Report all events/actions having major bearing on the Auditee's affairs in pursuance of the applicable laws, act, rules, regulations, guidelines, standards, etc.

8.2 An event/action shall be considered as having major bearing on Auditee's affairs if it affects its going concern or alters the charter or capital structure or management or business operation or control, etc.
