

Chapter - 9 "Related Services"

(1) Concept of Related Services:

Engagements that do not meet the definition of Assurance Engagements.

Assurance Engagement: An Engagement in which a conclusion is being expressed to enhance the confidence of intended users; about the measurement of a subject matter against criteria.

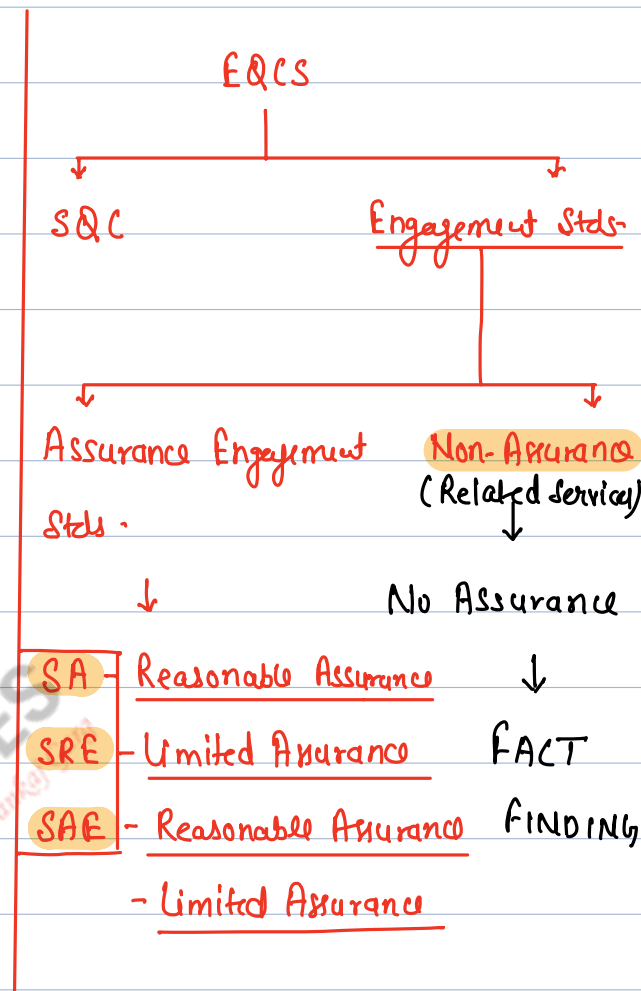
Examples:

(A) Related Services:

- (i) Preparation of tax returns.
- (ii) Management consultancy.
- (iii) Tax consultancy.
- (iv) Performing Agreed upon Procedures (SRS-4400)
- (v) Compilation Engagement (SRS-4410)

(B) Assurance Engagements:

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|-----------------------------------|-------|----------------|---|
| (i) Audit Engagements | (SA) | <u>100-899</u> | |
| (ii) Review " | (SRE) | 2000-2699 | $\left\{ \begin{array}{l} 2400 \\ 2410 \end{array} \right.$ |
| (iii) Other Assurance Engagements | (SAE) | 3000-3699 | $\left\{ \begin{array}{l} 3400 \\ 3402 \\ 3420 \end{array} \right.$ |



(2) SRS-4400: Engagements to perform Agreed upon Procedures Regarding Financial Information:

(i) Agreed upon Procedures:

An Auditor (Practitioner) engaged to issue a report on factual findings, based on specific procedures on specified subject matter of a financial statement.

Example: Engagement to evaluate validity of accounts payable may include:

- Comparing names of major suppliers and outstanding amount as on a date to related name and amount in trial balance.
- Obtaining confirmation from suppliers to confirm outstanding balances as on a date.
- Comparison of confirmations to amounts in trial balance.

- (ii) General Principles:
- Integrity;
 - Objectivity;
 - Professional Competence and Due Care;
 - Confidentiality;
 - Professional Conduct and Technical Standards.

Note: Independence is not a requisite requirement; though terms of engagement may require auditor to comply with independence.

		Bank- (w/ Limit)		
		Trade Receivable > IL-31-03		
<u>Mngt.</u>	<u>Bal-31-03</u>	<u>Date of R</u>	<u>Rcty</u>	<u>Remarks</u>
			R	Agree-
			NR	-
			R	Diff -
			R	Agree
			NR	-
			R	Agree
			R	Agree
			R	Diff -
No Assurance				

(iii) Terms to be agreed between auditor (Practitioner) and client:

- (a) Nature of engagement including the fact that procedures performed will not constitute an audit or review; hence no assurance will be expressed.
- (b) Purpose of the Engagement.
- (c) Identification of financial information to which agreed upon procedures to be performed.
- (d) Nature, Timing and Extent of Procedures.
- (e) Limitation on distribution of the report of factual findings.

(iv) Procedures: (Techniques)

- Auditor shall perform necessary procedures; and evidences so obtained shall be used as basis for fact-finding (factual) Report.
- Procedures may include:
 - (a) Inquiry and Analysis
 - (b) Inspection
 - (c) Observation
 - (d) Recomputations, Comparison
 - (e) Obtaining confirmations.

(v) Points to be considered for inclusion in the fact finding Report:

- (a) Identification of information on which agreed upon procedures have been applied.
- (b) Identification of the Purpose.
- (c) Listing of specified procedures.
- (d) Statement that procedures performed were those agreed with the recipient.

- (e) Statement that engagement was performed in accordance with SRS 4400.
- (f) Statement that procedures performed do not constitute audit or review; hence as such no assurance is expressed.
- (g) Statement that report is restricted to those parties that have agreed to procedures.
- (h) Statement that report related only to specified element and do not extend to the financial statements as a whole.
- (i) Description of actual findings including details of errors and exceptions found.

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Topics Covered: (1) Concept of Related Services
(2) SRS - 4400

(3) SRS - 4410: Compilation Engagement:

(i) Meaning and Concept of Compilation:

- An engagement in which a practitioner applies accounting expertise to assist the management in preparation and presentation of financial information as per applicable FRF and issue a report.
- As Compilation is not an assurance engagement, it does not require:
 - (a) Verification of accuracy or completeness of information provided by Management; and
 - (b) To collect evidences to form an audit opinion or review conclusion.

(ii) Purposes for which financial information may be required:

- (a) To comply with mandatory periodic financial reporting requirements established in law and regulations. (For Ex: Sec. 128, 129 of Companies Act, 2013
Sch. III of Companies Act, 2013)

(b) Others. For Example:

- For Internal use of Mngt. / TCoGr.
- For External Parties under a Contract
- For transactional purposes to support a transaction involving change of ownership. (Merge)

(iii) Objectives of Practitioner under SRS-4410:

- (a) To apply accounting and financial reporting expertise to assist management in the preparation and presentation of financial information in accordance with applicable FRF; and
- (b) To report in accordance with SRS 4410.

(iv) Ethical Requirements:

- Practitioner shall comply with Ethical requirements.
- Identify the threats in compliance of Ethical requirements and address appropriately.
- Being a non-assurance engagement, independence do not apply (unless required by law or regulation).

(v) Imp. Engagement Acceptance:

Practitioner shall accept the engagement only when following terms agreed with management:

- (a) Intended use of financial information and its distribution.
- (b) Identification of applicable FRF.
- (c) Objectives and scope of Engagement.
- (d) Responsibilities of Practitioner.
- (e) Responsibilities of Management for:
 - (i) Financial information, its preparation and presentation as per applicable FRF.
 - (ii) Design, Implementation and Maintenance of necessary Internal Controls to enable preparation of f.s. that are free from Material Misstatements.
- (f) Accuracy and Completeness of Records, Documents, Explanations

and Other Information provided to Practitioner.

(iv) Judgements needed in preparation and presentation of financial information. (for Ex. Accounting Estimates)

(v) Expected form and content of Practitioner's Report.

(Accountant's Report)

✓ (vi) Performing the compilation Engagement:

(a) Obtain understanding of:

- (i) Entity's business and operations;
- (ii) Accounting System and Records; and
- (iii) Applicable FRF.

(b) Compile the financial information using:

- (i) Records
- (ii) Documents
- (iii) Explanations
- (iv) Other Information including Judgements provided by Mngt.

(c) Discuss with Mngt. ITWG, significant Judgements for which practitioner has provided assistance to Mngt.

(d) Prior to completion of Engagement, Read the Compiled Information - in light of his understanding of Entity business, operations and applicable FRF.

M. Imp.
(VII) Special situations:

(A) Records, Documents, Explanation or Other Information including Judgements provided by Mngt. are incomplete, inaccurate or unsatisfactory

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Practitioner shall bring the matter to the attention of Management and

Request Additional or corrected information

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Mngt. fails to provide additional or corrected information

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Withdraw from the Engagement (if permissible); and Inform the Mngt./TCWG reasons for withdrawal.

(B) Practitioner Proposes amendments to compiled financial info.

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Practitioner shall propose amendments, if:

- (a) Compiled financial info. does not describe applicable FRF; or
- (b) Amendments required for financial info. not to be materially misstated; or
- (c) Compiled financial info. is misleading.

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Mngt. declines or does not permit practitioner to make proposed amendments.

Note: If withdrawal is not permissible

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determine legal and professional responsibilities.

(viii) Documentation Requirements:

- (a) Significant Matters arising during compilation and how such matters were addressed.
- (b) Record how Compiled financial info. reconciles with underlying records, documents, explanations and other info. provided by Mngt.
- (c) Copy of final version of compiled financial information for which Mngt. ITCOG has acknowledged their responsibility.
- (d) Practitioner Report.
- (e) Copy of Trial Balance, Summary of accounting records or other info. used to perform the compilation.

Note: Final Engagement file should be assembled timely as per time limits set by the firm.