WT 9 (Ch. 18 and 19 – ESG and SDG Assurance; Professional Ethics & Liabilities of Auditors)

Part – A (Multiple Choice Questions)

Q.1	(d)	**(1 Mark)**
Q.2	(c)	**(2 Marks)**
Q.3	(d)	**(2 Marks)**
Q.4	(a)	**(2 Marks)**

Part B (Descriptive Questions)

Q.1: (a) (i) Self Interest Threats (1 Mark)

(ii) Self review Threats (1 Mark)

(b) (i) Professional Behaviour (1 Mark)

(ii) Integrity (1 Mark)

(c) Principle 8 – Promote Inclusive Growth and equitable development:

Promoting inclusive growth and equitable development can work only with close participation and collaboration amongst the entities, authorities, the civil associations contributing to one another for a better livelihood, and assistance to the marginalized communities. Core Elements associated with this Principle are:

(i) Entities should have systems in place to identify and address impacts of their activities on social, cultural and economic aspects of the people.

(ii) Review, measure and track the adverse impacts of the activities on the society and environment and make action plans to mitigate them adequately.

(iii) Make efforts to bring up creative products, technologies and business concerns that help the marginalized communities to have well-being and a better quality of life.

(iv) When designing the CSR activities, entities should review local and regional development priorities to help the marginalized groups and communities.

(v) Ensure that business induced displacement or relocation of communities does not happen and in unavoidable cases, make sure to have mutually, agreed, participative and informed negotiations to provide fair compensation to the affected people.

(vi) All forms of intellectual property and traditional knowledge should get deserved respect and efforts should be made to ensure that benefits derived from their knowledge are shared equitably.

Marking Scheme – One Mark for One Point (Any four)

Q.2: Delegation of Certification work:

- As per clause 12 of Part I of the First Schedule of the Chartered Accountants Act, 1949, a Chartered Accountant in practice is deemed to be guilty of professional misconduct "if he allows a person not being a member of the Institute in practice or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements". **(1 Mark)**
- In this case CA 'K' proprietor of M/s K & Co., went abroad and delegated the authority to another Chartered Accountant Mr. Y, his employee, for taking care of routine matters of his office.
- The Council has clarified that the power to sign routine documents on which a professional opinion or authentication is not required to be expressed, may be delegated and such delegation will not attract provisions of clause 12. Examples of such instances are issue of audit queries, asking for information or issue of questionnaire, attending to routing matters in tax practice etc. **(2 Marks)**

Conclusion:

(i) Issuance of Net Worth Certificate to a client for furnishing to Bank by Mr. "Y" is not a routine work and it is outside his authorities. Thus, CA 'K' is guilty of professional misconduct under clause 12 of Part I of First Schedule of the Chartered Accountants Act, 1949. **(1 Mark)**

(ii) Attending GST proceedings for a client as authorized representative before GST Authorities falls under routine work, hence Mr. Y, the employee of M/s K & Co. can attend to routine matter in tax practice. Therefore, there is no misconduct in this case. **(1 Mark)**

Q.3: Maintenance of Books of Account:

- As per Clause 1 of Part II of Second Schedule, a member of the Institute will be held guilty of professional misconduct if he Contravenes any of the provisions of this act or the regulations made thereunder or any guidelines issued by the council. **(1 Mark)**
- Chapter V of the Council General Guidelines, 2008 specifies that a member of the Institute in practice or the firm of Chartered Accountants of which he is a partner shall maintain and keep in respect of his/its professional practice, proper books of account including the following:

  (a) a Cash Book

  (b) a Ledger **(2 Marks)**
- In the instant case, Mr. X, a Chartered Accountant in Practice filed his income tax return for the u/s 44ADA of the Income-tax Act, 1961, declaring his income on presumptive basis. In a disciplinary proceeding alleged against him for an alleged misuse of funds of his clients, it was asked that he should submit his books of account for the financial year ended on 31.3.2023. Mr. X refused to submit books of account on the ground that he had not maintained any books and even for income tax purposes, he submitted his Return of Income on a presumptive basis.

Conclusion: Defence of Mr. X is not admissible and he will be held guilty of professional misconduct by virtue of Clause 1 of Part II of Second Schedule, due to contravention of Chapter V of Council General Guidelines, 2008 for non-maintenance of books of account. **(2 Marks)**

Q.4: (a) Safeguards to Independence:

- When threats to independence exist, auditor should either desist from the task or eliminate the threat or at the very least, put in place safeguards which reduce the threats to an acceptable level.

(1 Mark)

- Holding of shares involves financial interest in the company and is in nature of self-interest threat. He has come to hold shares due to nomination made by his distant relative before accepting the appointment. **(1 Mark)**

Conclusion: Considering above, CA Raman should take steps to eliminate the threat by selling shares immediately before accepting appointment. Holding of shares of the same company for which he is offered appointment as auditor constitutes threat to his independence. **(1 Mark)**

(b) Companies required to mandatorily furnish BRSR:

- As per Reg. 34(2) of SEBI (LODR) Regulations, 2015 (as amended), annual report of top 1,000 listed entities based on market capitalization shall contain a business responsibility report. **(1 Mark)**
- SEBI introduced new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (BRSR).
- BRSR seeks disclosures from listed entities on their performance against 9 principles of the 'National Guidelines on Responsible Business Conduct (NGBRC)' & reporting under each principle is divided into essential & leadership indicators. **(1 Mark)**