Summary of Auditing & Assurance Standards as prescribed by ICAI

AAS-1

Basic Principals governing an Audit

This Auditing and Assurance Standard was the first standard on auditing issued by the Institute. As the name suggests, it seeks to lie down and briefly explain the basic principles which govern the auditor’s professional responsibilities and which should be complied with whenever an audit is carried out. These principles are, namely, integrity, objectivity and independence, confidentiality, skills and competence, work performed by others, documentation, planning, audit evidence, accounting system and internal control, and, finally, audit conclusions and reporting.

Effective Date: -The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1985.

AAS-2

Objective and Scope of the Audit of Financial Statements

This Standard describes the overall objective and scope of the audit of general-purpose financial statements of an enterprise by an independent auditor. The Standards deals with the following important aspects of an audit:

Objective of an Audit: expression of opinion, the concept of true and fair view

Responsibility for Financial Statements: responsibility of the management vis-a-vis auditor

Scope of Audit: factors determining scope, reliability and sufficiency of audit evidence, disclosure aspects, undiscovered material misstatements, etc.

Effective Date: -The Standard is effective for all audits relating to accounting periods beginning on or after April 1, 1985.
AAS-3

Documentation

Principle that the auditor should document matters which are important in providing evidence that the audit was carried out in accordance with the generally accepted auditing standards in India. The Standard explains as to what constitute working papers, need for working papers. The Standard also touches upon the following areas:

Form and Content: factors affecting form and content, quantum of working papers, permanent audit file, and current audit file.

Ownership and Custody of Working Papers

Effective Date: -The AAS is effective for all audits relating to accounting periods beginning on or after July 1, 1985.

AAS-4 (Revised)

The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements

As the name indicates, the purpose of this AAS is to establish standards on the auditor's responsibility to consider fraud and error in an audit of financial statements. The following would give an overview of the contents of the AAS:

Fraud and error and their characteristics

Responsibility of those charged with governance

Responsibility of management

Responsibility of the auditor

Indication of possible misstatement

Evaluation and disposition of misstatements.

Effect on auditor’s report

Documentation

Management representations
Auditor unable to complete engagement

The appendices to the AAS contain examples of risk factors relating to misstatements resulting from fraud/error, examples of modifications in auditor's procedures, and indicators of possible fraud or error.

**Effective Date:** The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 2003.

**AAS-5**

**Audit Evidence**

The purpose of this AAS is to establish standards on the basic principle that the auditor should obtain sufficient appropriate audit evidence through compliance and substantive procedures to enable him to draw reasonable conclusions there from on which to base his opinion on the financial information. The AAS also explains the concept of sufficient appropriate audit evidence, factors affecting it as also the various types of assertions, internal vis-a-vis external evidence. The Standard also deals with the methods of obtaining evidence, namely, inspection, observation, inquiry and confirmation, computation and analytical review. Effective Date: This AAS is effective for all audits relating to accounting periods beginning on or after January 1, 1989.

**AAS-6 (Revised)**

**Risk Assessment and Internal Control**

The purpose of this AAS is to establish Standards on the procedures to be followed to obtain an understanding of the accounting and internal control systems and on audit risk and its components: inherent risk, control risk and detection risk. The standard also extensively deals with aspects such as meaning of audit risk and its three components, meaning and inherent limitations of accounting and internal control systems, control environment, control risk and its assessment, tests of control, assessment of inherent risk and its relationship with control risk, assessment of detection risk, audit risk in small business and communication of weaknesses.

**Effective Date:** The AAS is effective for all audits related to accounting period beginning on or after April 1, 2002.

**AAS-7**

**Relying on the Work of an Internal Auditor**
The AAS establishes standards on the procedures that should be adopted by the external auditor to assess the work of an internal auditor for placing reliance upon that work. The Standard touches upon topics like scope and objective of internal audit function, relationship between internal and external auditor, aspects to be considered in evaluating the internal audit function, coordination between internal and external auditor, evaluating specific internal audit work.

Effective Date: -The Standard is effective for all audits relating to accounting periods beginning on or after April 1, 1989.

AAS-8

Audit Planning

The basic objective of the AAS is to establish standards on the principle that the auditor should plan his work to enable him to conduct an effective audit in an efficient manner and that the plan should be based on the knowledge of the client’s business. The AAS covers topics such as advantages of audit planning, sources of obtaining knowledge of the client’s business, topics on which discussion with client might be useful, factors to consider in development of an overall plan, developing an audit Programme etc.

Effective Date: -The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1989.

AAS-9

Using the Work of an Expert

This AAS discusses the auditor’s responsibility in relation to, and the procedures the auditor should consider in, using the work of an expert as audit evidence. The AAS explains the concept of an ‘expert’, situations in which the need for using the work of an expert might arise, factors to consider when deciding whether to use the work of an expert or not, evaluating the skills and competence and objectivity of an expert, procedures for evaluating the work of an expert, references to an expert auditor’s report, etc.

Effective Date: - The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1991.

AAS-10 (Revised)

Using the Work of another Auditor
This AAS discusses the procedures to be applied in situations where an independent auditor (principal auditor) reporting on the financial statements of the entity uses the work of another auditor (other auditor) with respect to the financial statements of one or more components included in the financial statements of the entity. The AAS explains the concept of component. It also deals in detail with the procedures to be adopted by the principal auditor when using the work of the ‘other auditor’, need for evaluating the professional competence of the ‘other’ auditor, documentation, coordination between principal and other auditor, reporting considerations for the principal auditor, and division of responsibility.

Effective Date: - The revised AAS is effective for all audits relating to accounting periods beginning on or after April 1, 2002.

AAS-11

Representations by the Management

The AAS was issued to establish standards on the use of management representations as audit evidence, the procedures to be applied in evaluating and documenting management representations, and the action to be taken if management refuses to provide appropriate representations. The Standard touches upon topics including situations in which the auditor should obtain management representations, management representation vis-a-vis other audit evidence, documentation of such representations, types of management representations, basic elements of management representation letters, etc. the Standard also contains example of a management representation letter on the different elements of the financial statements.

Effective Date: - The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1995.

AAS-12

Responsibility of Joint Auditors

The practice of appointing more than one auditor to conduct the audit of large entities has been in vogue for a long time. Such auditors, known as joint auditors, conduct the audit jointly and report on the financial statements of the entity. This AAS deals with the professional responsibilities which the auditors undertake in accepting such appointments as joint auditors. The important aspect of joint audit assignments as covered by this AAS include possible bases of division of work among joint auditors, coordination among joint auditors, joint and several liability of joint auditors, responsibility for obtaining and evaluating information and explanation from management, responsibility for scrutiny of branch accounts and returns, need for review of work performed by one joint auditor by other joint auditor(s), reporting responsibilities etc.
Effective Date: - The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1996.

AAS-13

Audit Materiality

Information is material if its misstatement (i.e., omission or erroneous statement) could influence the economic decisions of users taken on the basis of the financial information. Materiality provides a cut off point rather than being primary qualitative characteristics which the information must have if it is to be useful. This AAS establishes standards on the concept of materiality and its relationship with audit risk. Accordingly, the AAS deals with aspects such as establishment of acceptable materiality levels, relationship between materiality and audit risk, procedures to reduce audit risk, materiality and audit risk in evaluating audit evidence, components of aggregate of uncorrected misstatements and auditor’s plan of action, review of materiality level and subsequent changes therein, etc.

Effective Date: - The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1996.

AAS-14

Analytical Procedure

"Analytical procedures" means the analysis of significant ratios and trends, including resulting investigation of fluctuations and relationships that are inconsistent with other relevant information or which deviate from predicted amounts. The purpose of this AAS is to establish standards on the application of analytical procedures during an audit. The AAS, accordingly, deals with aspects like nature and purpose of analytical procedures, analytical procedures in planning the audit, analytical procedures as substantive procedures, analytical procedures in the overall review at the end of the audit, extent of reliance on analytical procedures, investigating unusual items etc.

Effective Date: - The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1997

AAS-15

Audit Sampling

"Audit Sampling" means the application of audit procedures to less than 100% of the items within an account balance or class of transactions to enable the auditor to obtain and evaluate
audit evidence about some characteristics of the items selected in order to form or assist in forming a conclusion concerning the population. The purpose of AAS is to establish standards on the design and selection of an audit sample and the evaluation of sample results and applies equally to statistical and non-statistical sampling. The areas covered by the AAS include design of sample, audit objectives, population, stratification, sample size and risk, tolerable and expected error, selection of sample, evaluation of sample results, analysis of errors in the sample, projection of errors, reassessing sampling risk.

Effective Date: - The AAS is effective for all audits relating to accounting periods commencing on or after April 1, 1998.

AAS-16

Going Concern

As members are aware, "going concern" is one of the fundamental assumptions underlying the preparation of the financial statements. The objective of this AAS is to establish standards on the auditor’s responsibilities in the audit of financial statements regarding the appropriateness of the going concern assumption as the basis for the preparation of the financial statements. The AAS deals with the relevant areas in this regard such as indications - financial, operating and other - of appropriateness or otherwise of the going concern assumption, audit evidence, illustrative audit conclusions and reporting in case going concern assumption considered appropriate/ going concern question not resolved/ going concern assumption considered inappropriate.

Effective Date: - The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1999.

AAS-17

Quality Control for Audit Work

The purpose of this Standard is to establish standards on quality control policies and procedures of an audit firm regarding audit work generally; and procedures regarding the work delegated to assistants on an individual audit. The AAS deals with the such aspects of the quality control for audit work, namely, objectives of the quality control policies to be adopted by audit firm, direction to be provided to the assistants to whom work has been delegated, supervision of the work being performed by the assistants, review of the work being performed by assistants and factors to be considered therein.

Effective Date: - The AAS is effective for all audits relating to accounting periods beginning on or after April 1, 1999.
Audit of Accounting Estimates

Accounting Estimates means an approximation of the amount of an item in the absence of a precise means of measurement. This AAS, as the name suggests, establishes standards on the audit of accounting estimates. The AAS, accordingly, deals with such aspects, including, nature of accounting estimates, audit procedures, reviewing and testing the process used by management, evaluation of data and consideration of assumptions, testing of calculations, comparison of previous estimates with actual results, use of independent estimates, review of subsequent events, evaluation of results of audit procedures.

Effective Date: - The AAS is effective for all audits commencing on or after April 1, 2000.

Subsequent Events

Subsequent events refer to significant events occurring between the balance sheet date and the date of the auditor’s report. This AAS lays down the responsibility of the auditor in respect of subsequent events. It also provides the audit procedures for identification of relevant subsequent events, for example, reading minutes; reviewing management procedures, inquiries of management and other concerned persons etc. the Standard also guides the auditor on his reporting responsibilities in respect of subsequent events.

Effective Date: - The AAS is effective for all audits commencing on or after April 1, 2000.

The exposure draft on the revised AAS-19 the term “subsequent events” has been used to refer to both events occurring between the date of the date of the financial statement and the date of the auditors report, and facts discovered after the date of auditors’ report.

Effective date of application has not yet been prescribed.

Knowledge of the Business

This Standard establishes standards on what is knowledge of the business, why it is important to the auditor, and to the audit staff working on an engagement. It also establishes standards on why knowledge of the business is relevant to all phases of an audit and how the auditor obtains and uses that knowledge. The AAS therefore deals with the relevant topics such as, obtaining knowledge of the business before and after accepting the assignment, sources of knowledge, using the knowledge, areas affected by the knowledge of the client’s business etc.
AAS-21

Consideration of Laws and Regulations in an Audit of Financial Statements.

This AAS lays down standards on auditor’s responsibility regarding consideration of laws and regulations in an audit of financial statements. The AAS therefore deals with aspects such as responsibility of the management for compliance with laws and regulations, auditor’s consideration of compliance with laws and regulations, audit procedures where non compliance is discovered, communicating/ reporting non compliance to management/users of audited financial statements/ regulators, and situations for withdrawal from engagement. The Appendix to the AAS contains indications that non compliance might have occurred.

Effective Date: - This AAS is effective for all audits commencing on or after July 1, 2001.

AAS-22

Initial Engagements-Opening Balances

"Initial engagements" mean when the financial statements are audited for the first time or when the financial statements for the preceding period were audited by another auditor. “Opening balances” means those account balances which exist at the beginning of the period. This AAS establishes standards regarding audit of opening balances in case of initial engagements. The Standard, therefore, deals with audit procedures for obtaining sufficient appropriate evidence in respect of opening balances. The Standard also provides guidance to the auditors on situations warranting qualified opinion/ disclaimer of opinion.

Effective Date: - This AAS is effective for all audits commencing on or after July 1, 2001.

AAS-23

Related Parties

The Institute had issued Accounting Standard (AS) 18 on Related Party Disclosures. The purpose of this AAS is to lay standards on auditor’s responsibilities and audit procedures regarding related parties and related party transaction, as defined in AS 18. The AAS covers areas including, existence and disclosure of related parties, transactions with related parties, examining unidentified related party transactions, management representations, audit
conclusions and reporting. The appendix to AAS contains an illustrative management representation letter regarding related parties. Effective Date: - This AAS is effective for all audits relating to accounting periods commencing on or after April 1, 2001.

AAS-24
Audit Considerations relating to Entities Using Service Organizations

This AAS lays down standards for an auditor whose client uses a service organization. This AAS also describes the reports of the auditors of the service organization, which may be obtained, by the auditor of the client. The AAS therefore first explains the concept of a “service organisation” and then goes on to describe the considerations for the auditor of the client, factors to be considered in determining the significance of the activities of the service organisation to the client and their relevance to audit, obtaining necessary information from service organizations, auditor’s procedures in case such information is insufficient etc.

Effective Date: - This AAS is effective for all audits related to accounting periods beginning on or after April 1, 2003

AAS-25
Comparatives

The purpose of this Auditing and Assurance Standard (AAS) is to establish standards on the auditor’s responsibilities regarding comparatives. It does not however deal with situations when summarized financial statements or data are presented with the audited financial statements. The AAS therefore explains the concept of comparatives in financial statements, corresponding figures and comparative financial statements. It also deals with the requirement for obtaining sufficient appropriate audit evidence in respect of comparatives, audit procedures where prior period financial statements are unaudited, audit procedures in case of material misstatements in comparatives or where prior period audit report contains a modified opinion, etc. The AAS also contains a discussion on financial reporting frameworks for comparatives and also illustrative auditor’s report in circumstances described in the Standard.

Effective Date: - This AAS is operative for all audits relating to accounting periods beginning on or after April 1, 2003.

AAS-26
Terms of Audit Engagement
This AAS establishes standards on agreeing to the terms of engagement with the client and the auditor’s response to a request by client to change the terms of an engagement to one that provides lower level of assurance. The AAS discusses principal contents of an audit engagement letter, audit engagement letter in case of audit of components, factors affecting audit engagement letter in case of recurring audits. The AAS also extensively deals with the duties and responsibilities of the auditors in case of a change in engagement.

Effective Date: - The AAS is effective for all audits relating to accounting periods beginning on or after 1st April, 2003 and replaces Guidance Note on Audit Engagement Letters issued by the Institute.

AAS-27

Communications of Audit Matters with Those Charged with Governance

The term “governance” as used in this AAS refers to the role of persons entrusted with the supervision, control and direction of an entity. “Those charged with governance” are ordinarily accountable for ensuring that the entity achieves its objectives, financial reporting, and reporting to interested parties. The AAS establishes standards on communications of audit matters arising from the audit of financial statements between the auditor and those charged with governance of an entity. The AAS therefore provides guidance to auditors as to procedures to identify relevant persons, what are the audit matters of general interest to be communicated, forms of communication, factors affecting communication, confidentiality requirements, laws and regulations etc.

Effective Date: - This AAS is effective for all audits related to accounting periods commencing on or after April 1, 2003.

AAS-28

The Auditor's Report on Financial Statements

The purpose of this AAS is to establish standards on the form and content of the auditor’s report issued as a result of an audit performed by an auditor of the financial statements of an entity. Much of the standards laid down by this AAS can be adapted to auditor’s reports on financial information other than financial statements. The AAS deals extensively with the concepts such as the basic elements of an auditor’s report, what is an unqualified opinion, the concept of modified audit report - qualified opinion, adverse opinion, disclaimer opinion, matters that affect the auditor’s opinion and matters that do not affect the auditor’s opinion, emphasis of matter paragraphs, illustrative audit reports in each case.

Effective Date: - This Auditing and Assurance Standard becomes operative for all audits relating to accounting periods beginning on or after 1st April 2003.

AAS-29
Auditing in a Computer Information Systems Environment

A CIS environment exists when one or more computer(s) of any type or size is (are) involved in the processing of financial information, including quantitative data, of significance to the audit, whether those computers are operated by the entity or by a third party. The purpose of this Auditing and Assurance Standard (AAS) is to establish standards on procedures to be followed when an audit is conducted in a computer information systems (CIS) environment. The AAS lays down standard in respect of skills and competence needed by the auditor to conduct an audit of CIS environment, factors to consider while planning such an audit, peculiar features of a CIS environment, assessment of risk, audit procedures to reduce audit risk, documentation in such audits.

Effective Date: - This Auditing and Assurance Standard (AAS) becomes operative for all audits related to accounting periods beginning on or after 1st April, 2003.

AAS-30

External Confirmations

This Auditing and Assurance Standard deals with an important form of audit evidence, viz., external confirmations. The Standard touches upon in details, with the various important aspects related to external confirmations. For example, relationship of external confirmation procedures to the inherent and control risks, assertions addressed by external confirmations, timing of external confirmations, design of the external confirmation request, nature of information being confirmed, form of confirmations - positive and negative, characteristics of respondents, evaluation of the results of the confirmation process, management requests etc.

Effective Date: - This Auditing and Assurance Standard is effective for all audits relating to accounting periods commencing on or after April 1, 2003.

AAS-31

Engagements to Compile Financial Information

The salient feature of a compilation engagement is that in such types of engagements, the accountant uses accounting expertise as against auditing expertise to collect, classify and summarize financial information. Ordinarily, a compilation engagement involves reducing data to a manageable and understandable form and does not require the accountant to test the assertions underlying the concerned information. Moreover, the procedures adopted by the accountant in carrying out a compilation engagement do not enable him to express any assurance or opinion on that financial information. The AAS deals extensively with significant issues such as the objective of a compilation engagement, basic principles in a compilation engagement, including the ethical requirements, responsibility of the management, the essential ingredients of the terms of a compilation engagement, planning, documentation and procedural
aspects of a compilation engagement. The AAS also deals with the special considerations in case of clients having an identified financial reporting framework, clients having no financial reporting framework and situations of non compliance with the accounting standards by the client, estimates made by the client. The AAS also provides detailed guidance as to the reporting aspects in a compilation engagement. The AAS also contains an illustrative engagement letter for compilation engagements and also sample compilation reports covering different situations for the benefit of the members.

Effective Date: - This Auditing and Assurance Standard is effective for all audits relating to accounting periods commencing on or after April 1, 2004.

AAS-32

Engagements to Perform Agreed upon Procedures regarding Financial Information

In an engagement to perform agreed upon procedures, the auditor is usually required to give a report on the factual findings, based on specified procedures performed on specified subject matters of specified elements, accounts or items of financial statements. The basic purpose of the AAS is to establish standards on the auditor’s professional responsibilities when an engagement to perform agreed upon procedures regarding financial information is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. The AAS can, however, also be used as a guide to perform agreed upon procedures regarding non-financial information. The AAS 32 thus, provides detailed guidance to the members as to the objectives of an agreed upon procedures engagement, basic principles involved in an agreed upon procedures engagement, including ethical principles, the essential aspects of the terms of the engagement. The AAS also deals with the planning, documentation and procedures and evidence aspects of such engagements. The AAS also contains standards in respect of report to be issued by the auditor and its essential elements. The AAS also contains an illustrative engagement letter and an illustrative format of the report to be issued by the auditor.

Effective Date: - This Auditing and Assurance Standard is effective for all audits relating to accounting periods commencing on or after April 1, 2004.

AAS-33

Engagement to Review Financial Statements

Unlike an audit, a review engagement is based mainly on analytical procedures and inquiries conducted by the auditor. The quarterly unaudited financial results of companies listed on stock exchanges in India are subject to limited review by the chartered accountants. The AAS on Engagements to Review Financial Statements provides extensive guidance on the types of such procedures and enquiries to be employed by the auditors. The AAS establishes standards and
provide guidance on the auditor’s professional responsibilities and on the form and content of the report that the auditor issues in connection with a review. The AAS deals with issues such as scope of the review engagement, level of assurance, terms of engagement, planning, documentation, review procedures, conclusions and reporting requirements in the review engagements. The AAS also illustrates format of engagement letter to be issued, review procedures to be applied and format of Review reports to be issued for qualified as well as unqualified opinion.

**Effective Date:** The AAS is operative for all review engagements relating to accounting periods beginning on or after 1 April 2005.

**AAS-34**

**Audit Evidence – Additional Consideration for Specific Items**

The objective of this AAS is to establish standards on auditor’s responsibilities, audit procedures and provide guidance, in addition to that provided in AAS-5, “Audit Evidence”, with respect to certain specific financial statement amounts and other disclosures. This AAS assists the auditor to obtain audit evidence with respect to following aspects:

Part A: Attendance at Physical Inventory Counting.
Part B: Inquiry Regarding Litigation and claims.
Part C: Valuation and Disclosure of Long Term Investments.
Part D: Segment Information.

This AAS provides a detailed insight into each of these aspects. It provides guidance with respect to definition, procedures, management representations and audit conclusions and reporting for each of these parts.

**Effective Date:** - The AAS becomes operative for all audits related to accounting periods beginning on or after 1 April 2005.

**AAS-35**

**The Examination of Prospective Financial Information**

The purpose of this Auditing and Assurance standards (AAS) is to establish standards and provide guidance on engagements to examine and report on prospective financial information including examination procedures for best estimates and hypothetical assumptions. The auditor is required to obtain sufficient appropriate evidence to determine whether Management’s best estimates, assumptions on which the prospective financial information is based are not unreasonable, they have been properly prepared and presented and all material assumptions are adequately disclosed and that they have been prepared on consistent basis with historical financial statements using appropriate accounting principles.
Effective Date:-  This AAS is effective in relation to reports on projections / forecasts, issued on or after, 01.04.2007.