



The Institute of Chartered Accountants of India
Dhanbad Branch (CIRC)
(Set up by an Act of Parliament)



E-Newsletter October 2023

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Disclaimer:

The opinions and views expressed in the e-newsletter are sole responsibility of authors/writers and Dhanbad branch committee has no responsibility on emergence of any dispute and difference in opinion and facts of the laws referred therein.



Past Committee Members of Dhanbad Branch of CIRC of ICAI

<i>TERM</i>	<i>CHAIRMAN</i>	<i>VICE-CHAIRMAN</i>	<i>SECRETARY</i>	<i>TREASURER</i>
<i>1990-92</i>	 <i>H.P.LALA</i>	 <i>S.P.AGARWAL</i>	 <i>P.S.KESHRI</i>	 <i>R.K.PATNIA</i>
<i>1992-93</i>	 <i>S.P.AGARWAL</i>	 <i>D.N.SINHA</i>	 <i>P.S.KESHRI</i>	 <i>R.K.PATNIA</i>
<i>1993-95</i>	 <i>S.P.AGARWAL</i>	 <i>R.K.P.SHAH</i>	 <i>P.S.KESHRI</i>	 <i>R.K.PATNIA</i>
<i>1995-98</i>	 <i>D.N.SINHA</i>	 <i>S.K.GUPTA</i>	 <i>K.K.HARODIA</i>	 <i>P.K.GUTGUTIA</i>
<i>1998-00</i>	 <i>P.S.KESHRI</i>	 <i>I.M.MEHTA</i>	 <i>R.J.MATALIA</i>	 <i>S.K.PASARI</i>
<i>2000-01</i>	 <i>I.M.MEHTA</i>	 <i>S.K.GUPTA</i>	 <i>R.J.MATALIA</i>	 <i>S.K.PASARI</i>
<i>2001-02</i>	 <i>R.K.PATNIA</i>	 <i>S.P.KESHRI</i>	 <i>A.K.MOOKIM</i>	 <i>N.K.SINGH</i>
<i>2002-03</i>	 <i>P.K.GUTGUTIA</i>	 <i>S.P.KESHRI</i>	 <i>N.K.SINGH</i>	 <i>M.K.BALUKA</i>



Past Committee Members of Dhanbad Branch of CIRC of ICAI

<i>TERM</i>	<i>CHAIRMAN</i>	<i>VICE-CHAIRMAN</i>	<i>SECRETARY</i>	<i>TREASURER</i>
<i>2003-04</i>	 <i>K.K.HARODIA</i>	 <i>A.K.MOOKIM</i>	 <i>N.K.SINGH</i>	 <i>M.K.BALUKA</i>
<i>2004-05</i>	 <i>R.J.MATALIA</i>	 <i>S.K.PASARI</i>	 <i>SHYAM PASARI</i>	 <i>R.K.AGARWAL</i>
<i>2005-06</i>	 <i>S.K.PASARI</i>	 <i>N.K.SINGH</i>	 <i>SHYAM PASARI</i>	 <i>R.K.AGARWAL</i>
<i>2006-07</i>	 <i>A.K.MOOKIM</i>	 <i>L.K.JHUNJHUNWALA</i>	 <i>R.B.GOEL</i>	 <i>SHYAM PASARI</i>
<i>2007-08</i>	 <i>R.B.GOEL</i>	 <i>ARUN KUMAR</i>	 <i>L.K.JHUNJHUNWALA</i>	 <i>DEEPAK VERMA</i>
<i>2008-09</i>	 <i>L.K.JHUNJHUNWALA</i>	 <i>DEEPAK VERMA</i>	 <i>ARUN KUMAR</i>	 <i>AMIT DALMIA</i>
<i>2009-10</i>	 <i>ARUN KUMAR</i>	 <i>DEEPAK VERMA</i>	 <i>SHYAM PASARI</i>	 <i>AMIT DALMIA</i>
<i>2010-11</i>	 <i>GOPAL AGARWAL</i>	 <i>SUNIL KUMAR MEHTA</i>	 <i>RAJESH KUMAR SINGHAL</i>	 <i>DEEPAK VERMA</i>



Past Committee Members of Dhanbad Branch of CIRC of ICAI

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2011-12	 SUNIL KUMAR MEHTA	 SHYAM PASARI	 RAJESH KUMAR SINGHAL	 AMIT DALMIA
2012-13	 SHYAM PASARI	 RAJESH KR SINGHAL	 AMIT DALMIA	 VINAY KR. AGARWAL
2013-14	 AMIT RAJ GUPTA	 ANANT BHARTIA	 SHYAM S. SAH	 NAMAN KR. DOKANIA
2014-15	 ANANT BHARTIA	 SHYAM S. SAH	 RAHUL AGARWALLA	 SUNIL KR. DAS
2015-16	 SHYAM S. SAH	 RAHUL AGARWALLA	 SUNIL KR. DAS	 NAMAN KR. DOKANIA
2016-17	 RINKEY THACKER	 LUCKY PAL SINGH	 PRATIK GANERIWAL	 MOHIT KR. BANSAL
2017-18	 MOHIT KR. BANSAL	 ANUP AGARWAL	 VISHAL KR AGARWAL	 RAHUL .KR SINGHANIA
2018-19	 VISHAL KR AGARWAL	 ANUP AGARWAL	 RAHUL .KR SINGHANIA	 MOHIT KR. BANSAL
2019-20	 RAHUL .KR SINGHANIA	 CHARANJEET S. CHAWLA	 SHIWAM AGARWAL	 RAHUL KR. AGARWAL
2020-21	 CHARANJEET S. CHAWLA	 PRATIK GANERIWAL	 SHIWAMAGARWAL	 RAHUL .KR SINGHANIA
2021-22	 PRATIK GANERIWAL	 SHIWAM AGARWAL	 RAHUL KR AGARWAL	 CHARANJEET S. CHAWLA
2022-23	 CA SANDEEP PANWAR	 SAURAV AGARWAL	 RAHUL SUREKA	 SUBHAM KHANDELWAL

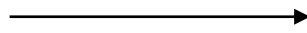


Managing Committee 2023-24

Dhanbad Branch of CIRC of ICAI



CA SAURAV AGARWAL



CHAIRMAN

CA RAHUL SUREKA



VICE-CHAIRMAN

CA SUBHAM KHANDELWAL



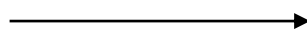
SECRETARY

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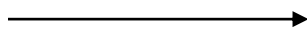
TRESURER

CA S. S JAISWAL



CICASA CHAIRMAN

CA SANDEEP PANWAR



EXECUTIVE MEMBER



CPE- Sub Committee Dhanbad Branch of CIRC of ICAI



CA R K PATNIA – Chairman

CA L K JHUNJHUNWALLA - Secretary

CA P K GUTGUTIA - Executive Member

CA SHYAM PASARI – Executive Member

CA ROHIT KR. PRASAD – Executive Member

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CA PRATIK GANERIWAL – Chief Editor

CA SUNNY KATESARIA -Editor

CA RICHA KUMARI –Editor

CA MRINALINI VERMA -Editor

CA ALISHA KUMARI - Editor



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Contributed by:

Name-CA Rahul Sharma

Basics of Audit :-Materiality

Audit Materiality explained – Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decision of users taken on the basis of financial statements.

Various legal provisions and professional pronouncements contains reference to the concept of materiality. Clause 5,6,8 and 9 of part I of the Second Schedule to the Chartered Accountants Act, 1949, refer to material fact, material misstatement, material exceptions and to material departure from the generally accepted procedure of audit. Schedule III of the Companies Act, 2013 is designed to ensure that the Financial Statements disclose all material Information so as to give a true and fair view of the state of affairs and working results of a company. Similarly disclosure of all material accounting policies at one place and disclosure of all changes in polices is also due to materiality concept.

It is not possible to lay down precisely, either in terms of specific items or in terms of amounts, what could be considered material. Percentage comparison may be useful in determining the materiality of an item. Part II of Schedule III of the companies any item of income or expenditure which constitute 1% of revenue from operations or 100000 Rs has to be disclosed separately. The relative significance of an item has to be viewed from many angles while judging its materiality – One indicator of materiality will be its impact on the overall figures of profit or loss, another indicator would be impact on total of the category of the expenditure or income to which it pertains and there can be materiality adjudged by comparison with previous year figures.

Various stages of application of Materiality concept :

At Inception of Audit : In determination the nature, timing and extant of audit procedures

During Audit : In evaluating the effect of misstatements on the measurement and classification of accounts; and

While Reporting : In determining the appropriateness of presentation of financial information.

Types of Materiality :-

Overall Materiality (For Financial Report as a whole) : the highest amount of information that if omitted, misstated or not disclosed, then that information has the potential to affect the economic decision of users of the financial report or the discharge of accountability by management or charged with governance.

The determination of overall materiality should be made with the following questions in mind:

- Who are the major users of the financial report?
- What information is important to their economic decision making and discharging of their responsibilities?
- In addition to quantitative amounts, what qualitative factors might impact upon the users financial reporting requirements as they relate to materiality?

Overall Performance Materiality : The amount set by us as auditor at less than the Overall Materiality, to reduce to an appropriately low level, the probability that the aggregate of undetected misstatements exceeds Overall Materiality. Overall Performance Materiality must be set at a % of the Overall Materiality so as to

allow us a margin or buffer for the possible undetected misstatements that may occur during the engagement. We use a sliding scale of % based upon an estimate of the engagement risk associated with the client.

Specific Materiality (For Particular classes of transactions, account balances or disclosures): The misstatements or events that are used by the auditor to identify misstatements at lesser than the Overall Materiality. Specific Materiality could relate to sensitive areas such as particular note disclosures (that is, management remuneration or industry-specific data), compliance with legislation or certain terms in a contract, or transactions upon which bonuses are based. It could also relate to the nature of a potential misstatement such as an illegal act, non-compliance with loan covenants and statutory/regulatory reporting requirements.

Disclosure of the following **transactions, balances or events** would normally be **subject to a Specific Materiality level** lower than Overall Materiality:

- Related party transactions and balances
- Disclosure of items such as those related to financial instrument risk
- Significant management estimates or valuations including sensitivity analysis
- Director’s remuneration
- Director’s expense accounts
- Auditor’s remuneration, particularly non-audit services
- Significant accounting policies or changes in accounting policies
- Sensitive income and expense accounts such as management fees and commissions.

Determining materiality for the financial statements as a whole and performance materiality Determining materiality involves the exercise of professional judgment.

- A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole.
- Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include:
 - Profit before tax
 - total revenue
 - gross profit
 - total expenses
 - total equity or net asset value etc.

Factors that may affect the **identification of an appropriate benchmark** include the following:

- The elements of the financial statements
- Whether there are items on which the attention of the users of the particular entity’s financial statements tends to be focused
- The nature of the entity, where the entity is at in its life cycle, and the industry and economic environment in which the entity operates
- The entity’s ownership structure and the way it is financed
- The relative volatility of the benchmark

Scenario	Benchmark
Profit before tax is nominal	Profit before tax and remuneration
Entities doing public utility programs/projects	Total Cost or Expenses Less Revenues
Current Year Profits are Low	Average of the Past three years
Profit oriented entity with break-even results	Revenue
Private Equity Firm primary focus on EBITDA	EBIDTA
Production Costs recharged to Group	Production Costs

Mutual Funds	Net Assets
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Audit Planning: Comprehensive Study (ISA 300)

The main concern of auditor is to perform his **engagement** in an **effective manner**. Planning an audit involves developing an overall strategy (This includes defining scope, emphasis to be placed, timing and conduct of audit engagement) and Audit Plan (It may consists of nature, timing and extent of audit procedures to be performed and the rationale for their selection. Planning helps to **identify** the important areas of **potential problem**. Planning **also** assist in **assignment of work** to team members, facilitate **direction, supervision & review** of their work. The **nature** and **extent** of planning activities will **depend** upon – the Size and Complexity of business, Previous experience of auditors with the firm, auditors understanding of firm & its environment and understanding of Internal Control System of Firm. Planning the Audit includes following :

- Performing preliminary planning activities
- Developing Audit Strategy
- Developing Audit Plan
- Considering changes in Audit decisions
- Direction, Supervision and Review of Audit work
- Documenting matters related to planning activities

Planning is a continuous process in auditing which starts after the completion of previous year audit and ends at the conclusion of current year audit. Auditor may discuss elements of planning (Including Strategy and procedure to be employed) with auditee (i.e. owner and management)to improve efficiency and effectiveness of the audit.

Preliminary Planning Activities :

Following Activities are to be performed by the Auditor before strategy development:

- Must assure that there are condition exist which intimate that Auditor should refuse fresh audit assignment or should discontinue audit assignment.
- No Ethical issues exist which may cause refusal of engagement (Including Independence and communication with previous auditors)
- To gain an understanding of the scope and terms of engagement

The purpose of conducting pre planning activities is to ensure that there are no condition exist which may affect the effectiveness of the audit. This ensure that audit engagement is :

- Not affected by the issues related with independence or ability to perform audit.
- No threats exist related with management integrity which may affect auditor's willingness to accept assignment.
- There is no misunderstanding as to scope and terms of engagement.

The Development of Audit Strategy :

The Audit Strategy should describe the **Scope** and **Conduct** of Audit so as **to reduce audit risk** to an **acceptably low level**. The purpose of audit strategy is to develop response to overall risk of material misstatement at Financial Statement Level (Earlier this was know as Audit plan in SAP 8) and to develop audit plan (which was previously known as audit procedures in SAP 8)) address assertion issues – at transaction, balance and disclosure level.

Audit strategy (Earlier known as Audit Plan in SAP 8 issued by ICAI) may be in the form of memorandum that may contain – decision regarding the overall scope, main areas of emphasis and areas where audit will be conducted, response of auditor towards financial statement level and Material issues which emerged from audit Plan (i.e. related with assertions as to transaction, balances and disclosures). It is the professional judgment which decides the form and content of the overall audit strategy. Audit Strategy may be simplified in cases where audit is being conducted for small firms – in those circumstances strategy may be developed by verbal communication between team members of auditor and between audit team and management.

The Development of Audit Plan:

Audit plan converts audit strategy developed by the auditor into a comprehensive description of the work to be performed. What audit procedure will be employed to obtain sufficient & appropriate audit evidences to achieve audit objectives. It is outline of the work to be performed by engagement team members.

Audit plan details the nature, timing and extent of planned audit procedures to be applied related with assertions as to transactions, account balances and disclosures. This involves developing the audit plan for the performance of risk assessment procedures and further audit procedure in response to assessed risk. This may include both procedures - to test the effectiveness of internal control systems and decision as to nature, timing and extent as to substantive procedures.

Form and extent of details depends on professional judgment (Judgment may based on size & complexity of the entity, materiality, other evidences and Experience of audit team).

Changes in Planning during conduct of Audit:

Planning is a continuous and iterative process throughout the engagement. Due to changes in conditions or the audit evidence obtained from the results of audit procedures (both substantive and compliance), auditor may need to modify the overall audit strategy and audit plan (i.e. Changes in nature, timing and extent of further audit procedure). In changed circumstances, the auditor re evaluate the planned audit procedures, based on the revised consideration of for all or some of the classes of transactions, balances or disclosures and related assertions.

Direction, Supervision and Review :

In planning, auditor also details timing and extent of direction, supervision and review (Of work of audit team) to be carried out. This decision depends on – size and complexity of the entity, area of audit, risk of misstatement and qualification of persons conducting audit. Direction, Supervision and Review can also done by way of completion checklists and other offsite supervision methods.

Direction, Supervision and Review may bring across situations like – selection of inappropriate items for sampling or failing to properly conclude on audit procedure performed.

Documentation :

The auditor should document the overall audit strategy and the audit plan, including reasons for significant changes made during the audit engagement. In respect of documentation of reason for significant changes to audit strategy and plan – the auditor's response to the events, conditions, or results of audit procedures that resulted to such changes. The manner of documentation of Audit Strategy and Audit Plan depends on professional judgment of the auditor.

Changes from Previous ISA:

- To obtain knowledge of entity's business is an important part of planning in audit. The Audit Risk has been amended by the IFAC so as to include in detail the taking knowledge of business of the entity in risk assessment procedures, consequently this process has been eliminated from the ISA 300. The Audit plans begins by planning risk assessment procedures and once these procedures have been performed it is updated and changed to reflect the further audit procedures needed to respond to the results of risk assessments.
- In addition to changes discussed above, New ISA 300 includes :
 - Preliminary planning activities
 - Guidance on matters auditor to consider in planning timing and extent of – direction, supervision and review.
 - Revised Documentation requirements.
 - Guidance on the special planning consideration for initial audit engagements.
 - . The special consideration in the audit of small Entities.

Using the work of an Auditor's Expert

An expert is a person, firm or other association of persons possessing special skills, knowledge and experience in a particular field other than accounting and auditing. There can be four type of such experts :-

- Engaged by the client
- Engaged by the auditor
- Employee of the client
- Employee of the Auditor

Even if an expert is employed by the auditor while using his work it should not be used as work done by auditor's assistant, rather it should be tested as work done by an expert.

ISA 500, Audit Evidence Stipulates that if the information to be used as evidence has been prepared using the work of a management's expert then :

- Evaluate the competence, capabilities and objectivity of the expert
- Obtain an understanding of the work of that expert
- Evaluate the appropriateness of that expert's work as audit evidence for relevant assertion

In simple words if financial statements are prepared on the basis of experts work in those cases auditor has to guide himself as above.

ISA 620 (Using the work of an Auditor's Expert), says auditor's expert is : "An individual or organization possessing expertise in a field other than accounting or auditing, whose work in work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (Part of audit firm) or an auditor's external expert (hired from outside by auditor)"

Auditors do need to employ their own expert in order to decrease the risk that material misstatement will not be detected. Even if an expert is employed by the auditor while using his work it should not be used as work done by auditor's assistant, rather it should be tested as work done by an expert.

Expert may be employed by auditor in following areas :-

- Valuation of certain type of assets – Land and buildings, Plat and Machinery, Jewellery, Work of Art, Antiques, Intangible Assets – Patents, trademarks etc., Environmental Liabilities, Site clean up costs.
- Determination of Quantities or physical condition of assets, for example – Minerals, Petroleum reserves, Gas reserves etc.
- Actuarial Calculation of liabilities like – Insurance Contracts and Employee Benefit Plans
- Measurement of work completed and to be completed on contract in progress for revenue recognition.
- Legal Opinion for – Interpretation of contracts, laws and regulations.
- Analysis of complex or unusual tax compliance issues.

An auditor's expert needs to be **competent, capable** and **objective** if their services are to be deemed adequate for the audit purpose

Competence – This relates to the nature and level of expertise of the expert. Any expert employed should have a widespread recognition of expertise in their discipline.

Capability – It is related with the expert's ability to exercise that competence in the circumstances of audit engagement. Example – expert must have resources to perform the task in hand.

Objectivity – It is related with the possible effects that bias, conflict of interest or the influence of others may have on the judgment of the expert. If an expert has a vested interest in expressing anything other than objective opinion with regard to the subject matter, then their opinion will be of no value to the auditor.

Information as to competence, capability and objectivity may be sought from sources like :

- Personal experience with previous work of expert
- Discussion with the expert
- Discussion with other auditors who are familiar with the expert's work
- Knowledge of expert's qualifications, membership of a professional body or industry association, license to practice or other forms of external recognition
- Published papers or books written by experts

If competence, capability or objectivity is compromised then while using the work of expert, chances of misstatement and errors will remain with the information.

The auditor should seek reasonable assurance that the expert's work constitute appropriate audit evidence in support of the financial information, by considering –

- The source data used – auditor can seek information from expert as to how he has satisfied himself that source data are sufficient alternatively he may also conduct audit procedure on data for assurance of its sufficiency, relevance and reliability.
- The assumption and methods used and if appropriate their consistency with the prior period
- The result of expert's work in the light of overall knowledge of auditor

To evaluate the findings and conclusions of the auditor's expert, auditor may carry out various procedures like :

- Inquiries of the auditor's expert
- Reviewing the auditor's expert's working paper and reports
- Corroborative procedures such as :
 - Inquiries of the auditor's expert work
 - Examining reputable statistical and other published data
 - Confirming relevant matters with third parties
 - Performing detailed analytical procedures and
 - Re performing calculations
- Discussion with another expert with relevant expertise
- Discussing with auditor's expert report with management

If the auditor concludes that the work of the auditor's expert is not adequate for the auditor's purpose and auditor cannot resolve the matter, he may either ask the expert to carry out further work or he himself may opt to carry out additional audit procedures as appropriate.

Work of an Expert and Auditor's Report : If after performing all procedures the auditor concludes that :

- The work of the expert is inconsistent with the information in the financial statements, or
- The work of expert not constitute sufficient audit evidence

He may opt for Qualified opinion, Disclaimer of opinion or Adverse opinion as the case may be.

Reference to an Expert in the Audit Report : In case of Unqualified opinion auditor should not refer to the work of an expert in his report. If as a result of audit procedures auditor decides to express other than an unqualified opinion, it may in some circumstances, in explaining the nature of his reservation, refer to or describes the work of an expert. Where in doing so, the auditor considers if appropriate disclose the identity of the expert. In those cases auditor should obtain prior consent of the expert for such disclosure.

List of CPE / Non CPE Meeting Organized by Dhanbad Branch

SI No	Date	Seminar Topic	Jointly With	Faculty	CPE Hours
01	NIL	NIL	NIL	NIL	0

Classes for CA Students

SI No	Start Date	End Date	Course Name/ Branch Name
01	16/12/2023	05/01/2024	ICITSSIT-OC-DHANBAD_4
02	16/12/2023	05/01/2024	AICITSSIT-DHANBAD_3
03	06/01/2024	22/01/2024	ICITSS-IT-DHANBAD_7

PHOTO GALLERY

Mega Cleanliness Drive on 1st October 2023 at Bekar Bandh Talab



Literacy Kit Distribution on 09-10-2023



Request for Members Participation

Dhanbad branch of CIRC of ICAI requests the members to come forward & share the articles (Professional & Other) to be published in the upcoming e newsletter. The resource materials may be sent to dhanbad@icai.org with the subject line "Article Newsletter" along with a passport size photo.

