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Regulatory updates for the month of August 2022

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Regulatory updates for August 2022

The regulatory updates publication issued by the Foundation for Audit Quality (FAQ) highlights the latest developments in accounting, auditing and regulatory developments in India and internationally.

In this edition

Recently, the Ministry of Corporate Affairs (MCA) notified amendments to Rule 3 of the Companies (Accounts) Rules, 2014 (the Accounts Rules) by issuing the Companies (Accounts) Fourth Amendment Rules, 2022. Rule 3 of the Accounts Rules prescribes the manner in which companies are required to maintain the books of account in electronic mode. In line with this, the Institute of Chartered Accountants of India (ICAI) issued an announcement in which they performed a pre and post analysis of the Accounts Rules as a result of the amendments introduced.

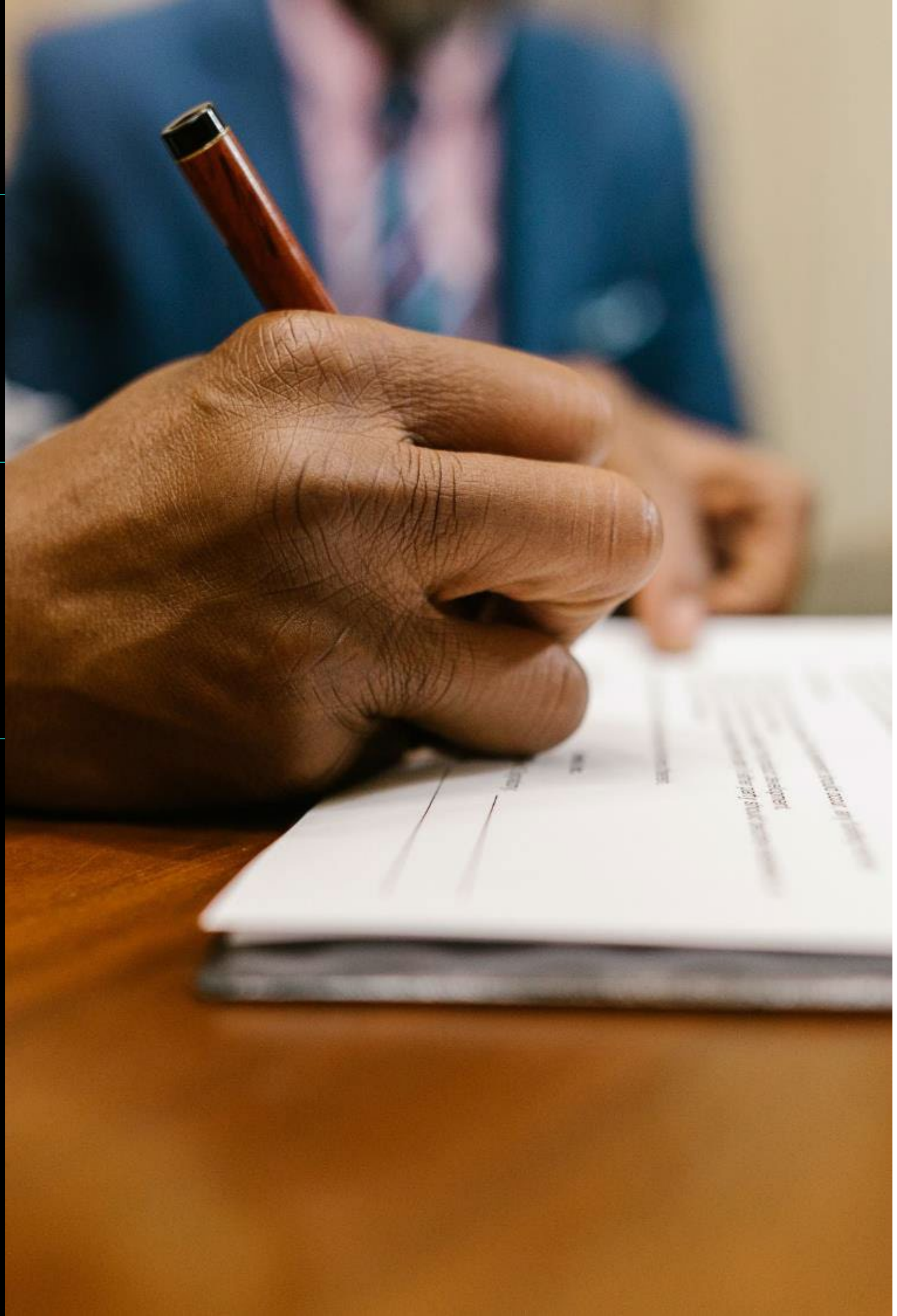
Additionally, ICAI issued an Exposure Draft on Social Audit Standards (SAS). The Exposure Draft has introduced a framework of SAS and prescribed 16 SAS for regulating the profession of social auditors.

This issue of the regulatory updates publication covers some of the important updates on accounting, auditing and regulatory matters for the period from **1 August 2022 to 31 August 2022**. It also highlights some of the action points that auditors may consider when applying the relevant provisions.

India update

International update

ICAI publications



India update

- Accounting updates
- Auditing updates
- Regulatory updates

Accounting updates

Updates from MCA

MCA amends Companies (Accounts) Rules, 2014

Rule 3 of the Companies (Accounts) Rules, 2014 (the Accounts Rules) prescribes the manner in which companies are required to maintain the books of account in electronic mode. On 5 August 2022, the Ministry of Corporate Affairs (MCA), notified amendments to the Accounts Rules by issuing the Companies (Accounts) Fourth Amendment Rules, 2022 (the Accounts Amendment Rules). Following amendments have been made to the existing set of requirements in the Accounts Rules:

- **Rule 3(1):** The books of account and other relevant books and papers maintained in electronic mode should remain accessible in India, **at all times** so that they can be used for subsequent reference *(requirement to remain accessible at all times was not prescribed earlier)*

- **Rule 3(5):** The back-up of the books of account and other books and papers of a company maintained in electronic mode, including at a place outside India, if any, should be kept in servers physically located in India on a **daily** basis *(earlier, Rule 3(5) required entities to maintain backup in servers physically located in India on a periodic basis)*

- **Rule 3(6)**: Where a service provider has been used by a company for maintenance of books of accounts in an electronic form, the company is required to intimate to the Registrar of Companies certain details regarding the service provider on an annual basis[1].

The Accounts Amendment Rules now provide that in cases where the service provider is located outside India, in addition to the existing details, companies should intimate the registrar of companies the **name and address of the person in control of the books of account and other books and papers in India.** *(Additional details to be provided to the Registrar of Companies.)*

On 21 August 2022, the Institute of Chartered Accountants of India (ICAI) issued an announcement in which they performed a pre and post analysis of the Accounts Rules as a result of the notification of the Accounts Amendment Rules.

To access the text of the MCA notification, please click here

To access the text of the ICAI announcement, please click here

[1] These details are provided at the time of filing of the financial statements. Before the issuance of the Accounts Amendment Rules, the details that were required to be intimated to the registrar of companies on an annual basis included:

a) the name of the service provider
b) the internet protocol address of the service provider
c) the location of the service provider (wherever applicable)
d) where the books of account and other books and papers are maintained on a cloud, such address as provided by the service provider

Accounting updates

Action Points for Auditors

From 1 April 2023, companies using accounting software for maintaining books of account, are required to use only such an accounting software which has a feature of recording audit trail of each and every transaction, creates an edit log of each change made in the books of account along with the date when such changes were made and ensures that the audit trail cannot be disabled.

In line with this, the new set of requirements (with regard to a daily backup in servers based in India, making electronic records available in India at all times and additional disclosures to the Registrar of Companies in certain cases) issued by MCA may require companies to upgrade their existing infrastructure and control processes.

Thus, auditors should actively engage with the management of companies they audit, and discuss the implementation requirements of the additional provisions, as non-compliances with the provisions would entail the fines stipulated in Section 128 of the Companies Act, 2013.

Updates from ICAI

ICAI issues an Exposure Draft on Social Audit Standards

On 25 July 2022, SEBI had introduced regulations pertaining to the Social Stock Exchange (SSE) by making amendments to the following regulations:

- The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations)[2] by inserting a chapter on 'Social Stock Exchange',
- The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations)[3] by adding a chapter on 'Obligations of Social Enterprises', and
- The SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations)[4] by introducing changes in relation to social impact fund.

According to the ICDR Amendment Regulations, an SSE means a separate segment of a recognised stock exchange having nationwide trading terminals, permitted to register Non-Profit Organisations (NPOs[5]) and/or list the securities issued by NPOs in accordance with the provisions of the ICDR Regulations. The provisions would apply to:

- NPOs seeking to only get registered with an SSE,
- NPOs seeking to get registered and raise funds through an SSE, and
- For Profit Social Enterprises (FPSE)[6] seeking to be identified as a Social Enterprise (SE)[7] under the provisions of the ICDR Regulations.

As per the amendments an SE, which is either registered with or has raised funds through an SSE, should submit an annual impact report to the SSE (the format would be specified by SEBI). The annual impact report must be audited by a social audit firm[8], employing social auditor(s)[9].

In this regard, ICAI has been entrusted with the responsibility of being the self-regulatory organisation for regulating the profession of social auditors. Consequently, on 5 August 2022, ICAI released an Exposure Draft (ED) on Compendium of Social Audit Standards (SAS).

[2] The amendments have been issued by the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022 (ICDR Amendment Regulations)

[3] The amendments have been issued by the SEBI LODR (Fifth Amendment) Regulations, 2022 (LODR Amendment Regulations)

[4] The amendments have been issued by the SEBI AIF (Third Amendment) Regulations, 2022 (AIF Amendment Regulations)

[5] An NPO means a social enterprise, which is any of the following entities:
- A charitable trust registered under the Indian Trusts Act, 1882
- A charitable trust registered under the public trust statute of the relevant state
- A charitable society registered under the Societies Registration Act, 1860
- A company incorporated under section 8 of the Companies Act, 2013
- Any other entity as may be specified by SEBI

[6] 'For Profit Social Enterprise' means a company or a body corporate operating for profit, which is a social enterprise for the purposes of the ICDR Regulations and does not include a company incorporated under section 8 of the Companies Act, 2013

[7] An NPO or a FPSE, in order to be identified as an SE, must establish primacy of its social intent. In this regard, SEBI has prescribed 16 thematic areas which would qualify as eligible activities that meets the eligibility criteria specified in the ICDR Amendment Regulations. Additionally, an SE should have at least 67 per cent of its activities, qualifying as eligible activities through one or more of the following:
- at least 67 per cent of the immediately preceding three-year average of revenues comes from providing eligible activities to members of the target population,
- at least 67 per cent of the immediately preceding three-year average of expenditure has been incurred for providing eligible activities to members of the target population, and
- members of the target population to whom the eligible activities have been provided constitute at least 67 per cent of the immediately preceding three-year average of the total customer base and/or total number of beneficiaries.

[8] Social audit firm means any entity which has employed social auditors and has a track record of minimum three years for conducting social impact assessment

[9] Social auditor refers to an individual registered with a self-regulatory organisation under ICAI or such other agency, as may be specified by SEBI, who has qualified a certification programme conducted by the National Institute of Securities Market (NISM) and holds a valid certificate in this regard

Auditing updates

Some of the key requirements of the SAS framework discussed in the ED are as follows:

- **Applicability:** The SAS would apply whenever an independent social audit of an SE is carried out. The framework specifies five elements of a social audit engagement. These are:
  a. A three-party relationship involving a social auditor, a responsible party (generally SE), and the intended user
  b. Project/programme/intervention to be covered
  c. Project monitoring framework
  d. Evidence
  e. A written report.

- **Quality control for social auditor:** A social auditor/audit firm must establish a system of quality control, including policies and procedures addressing each of the following elements:
  a. Leadership responsibilities for quality within the firm
  b. Ethical requirements
  c. Acceptance and continuance of client relationships and specific engagements
  d. Human resources
  e. Engagement performance, and
  f. Monitoring.

  The quality control policies and procedures should be documented and communicated to the firm's personnel on a timely basis.

- **Understanding the entity and its environment:** For establishing an SE's primacy of social intent, a social auditor should conduct a preliminary review of the entity and its environment. Such a review may include information such as the stated objectives of the project/programme, project monitoring framework[10], programme specific baseline[11], mid-line and end-line[12] assessment reports, fund utilisation certificate, alignment of the project outcomes to National/State priorities, NITI Aayog's Sustainable Development Goals (SDG) India Index Indicators and so on.

- **Collection and analysis of data:** A social auditor should use various methods such as interviews, questionnaires, Focussed Group Discussion (FGD)[13] etc. for collecting data on different quantitative and qualitative parameters. The respondents would be the stakeholders of an SE which affect or are affected by the project. Based on the data collected, the social auditor should analyse and interpret it as per the 'Theory of change and logic model', explaining the process of intended social impact of the project. The review process should answer the following questions:
  - What was the situation before and what would have happened in the absence of the project?
  - How much has the project contributed to the changes that are evidenced as compared to pre project interventions?
  - How much unintended impacts (positive and negative) happened due to the project?

[10] Project monitoring framework details the inputs, activities, outputs, outcomes and impact that would aid an auditor's understanding of the project. Additionally, the auditor should also consider parameters such as inclusiveness, relevance, effectiveness and efficiency, convergence and sustainability of the project for assessing its impact

[11] Baseline measurement is required to establish the starting point in any project/programme/project-based activity

[12] A mid-line and end-line measurement is the audit conducted respectively during the intervention phase and after the end of that intervention

[13] For the purpose of this framework, the FGD constitutes subject matter experts including Non-Governmental Organisations, NPOs, working on the respective thematic areas and actively engaged in social activities as well as beneficiaries.

Auditing updates

- **Materiality:** A social auditor should consider materiality while assessing the overall impact of the project/programme. Different quantitative and qualitative factors, such as relative magnitude, the nature and extent of the effect of these factors on the evaluation or measurement of the subject matter, the interests of different stakeholders involved, etc. should be taken into consideration while assessing the materiality threshold.
- **Using the work of field level research agency/subject matter experts:** In certain cases, a social auditor may need to use the work of assistants/field level research agencies and/or other social auditors and subject matter experts. In such situations, the social auditor should perform relevant procedures to evaluate the appropriateness and adequacy of the work performed and consider their significant findings/assessments, if any, in the context of the specific social audit. A social auditor would continue to be responsible for the overall social audit report of an SE.
- **Use of technology:** A social auditor should determine the usage and acceptability of technology for meeting the objectives, collecting and verifying evidence as well as validating impact measurements and assessments in case of social audit engagements. The social auditor should consider the extent of usage of IT tools to be deployed for:
  - information database to be maintained at one place for-information of all stakeholders, beneficiaries, volunteers, staff,
  - Data collection process through online surveys, virtual interviews, satellite imagery for monitoring forestry coverage etc., and
  - Data sorting and visualisation, data analysis, reporting.
- **Documentation:** Engagement documentation must be prepared on a timely basis, and it should provide a record of the basis for the social audit report, the nature, timing and extent of the audit procedures performed, evidence obtained, significant issues observed, if any, and recommendations made for future improvements. The process of assembling the final engagement file should be completed **within a period of 60 days** after the date of the social audit report. Also, the retention period should be **seven years** from the date of the social audit report.
- **Reporting – Social audit report:** A social auditor must issue a written social audit report containing the findings from the assessment in terms of the impact created, gaps, if any, along with the recommendations for improvement. It should address the social impact assessment covered by the project/programme that the intended users might be interested in. The framework does not require a standardised format for reporting on all social audit engagements. The social audit reports may be tailored to the area specific circumstances.

Auditing updates

The framework identifies certain basic elements which the social audit report should include, which are given below:

Social Audit Report[14]

Executive summary

Notice to the reader

Section I

- Context
  - Background of the engagement
  - About the project
  - Responsibilities of the reporting entity and social auditor
  - Compliances with framework, standards, code of conduct
- Scope of the engagement
- Objectives of the social audit
- Approach and methodology
  - Basic approach – steps followed
  - Sampling methodology (type of universe – finite/infinite, sampling unit – individual/household, sample technique and sample size)
  - Mapping of stakeholders for the interactions
  - Data collection – primary sources and secondary sources and tools used
  - Study Limitations

Section II

- Key findings
- Alignment with the national/state priorities

Section III

- Gaps or challenges
- Recommendations

Section IV

- Annexures (if applicable)
  - Case studies/stakeholders speak
  - Any other relevant documents

14 Elements provided in the illustrative social audit report are indicative.

Auditing updates

The ICDR Amendment Regulations mention 16 thematic areas which would qualify as eligible activities for the purpose of establishing primacy of social intent. In this regard, ICAI has prescribed 16 SAS in the ED, each corresponding to a specific area. These are as follows:

Standard No	Standard name
SAS 100	Eradicating hunger, poverty, malnutrition and inequality
SAS 200	Promoting health care including mental healthcare, sanitation and making available safe drinking water
SAS 300	Promoting education, employability and livelihoods
SAS 400	Promoting gender equality, empowerment of women and LGBTQIA+ communities
SAS 500	Ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation
SAS 600	Protection of national heritage, art and culture
SAS 700	Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports
SAS 800	Supporting incubators of Social Enterprises
SAS 900	Supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building
SAS 1000	Promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers in the non-farm sector
SAS 1100	Slum area development, affordable housing and other interventions to build sustainable and resilient cities

Auditing updates

SAS 1200	Disaster management, including relief, rehabilitation and reconstruction activities
SAS 1300	Promotion of financial inclusion
SAS 1400	Facilitating access to land and property assets for disadvantaged communities
SAS 1500	Bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection
SAS 1600	Promoting welfare of migrants and displaced persons

The ED would be open for comments up to 13 September 2022.
To access the text of the ICAI ED, please click here.

Action Points for Auditors

- As per the SEBI notification, social audit firms employing social auditors who have qualified the certification course conducted by the NISM would be allowed to conduct a social audit. With assurance on sustainability reporting gaining traction in the recent times, auditors and other practitioners should keep a track of the eligibility requirements and other developments happening around this space.
- Auditors are encouraged to utilise the comment period and send their observations/comments, if any. Since, the SAS are still in the development stage, there are certain areas that need evaluation and application of judgement. Auditors may consider the following points in this regard:
  - Interaction with SEBI LODR requirements and scope of the impact assessment. As per ED on SAS, an impact assessment can be for a specific project/programme while SEBI LODR may require an impact assessment of all the projects of an SE.
  - Evaluation of materiality may involve significant judgement due to various qualitative factors in social projects of an SE.
  - Evaluation of an auditor's independence would require more detailed guidance.
  - Evaluation of the scope of a social audit whether it would include a financial review.

Updates from MCA

MCA has prescribed rules for physical verification of a company's registered office

Section 12(9) of the Companies Act, 2013[15] states that if a registrar of companies has reasonable cause to believe that a company is not carrying on any businesses or operations, he/she may *inter alia* cause a physical verification of the registered office of the company in a prescribed manner. If any default is found in complying with the requirement to maintain a registered office[16], the Registrar of Companies may initiate an action for the removal of the name of the company from the register of companies.

Rule 25 of the Companies (Incorporation) Rules, 2014 (Incorporation Rules) deals with the verification of a registered office, however, it does not stipulate any procedures for physical verification of a registered office.

On 18 August 2022, MCA notified the Companies (Incorporation) Third Amendment Rules, 2022 (Incorporation Amendment Rules), and inserted Rule 25B in the Incorporation Rules, relating to physical verification of a registered office of a company.

Rule 25B of the Incorporation Rules provides that for the purpose of Section 12(9) of the Companies Act, 2013, the registrar of companies, based upon the information or documents made available on MCA21[17], must visit at the address of the registered office of the company and may cause its physical verification, in presence of two independent witnesses of the locality in which the said registered office is situated. The registrar may also seek assistance of the local police for such verification, if required.

The documents filed by the company on MCA21 in support of the address of its registered office should be cross verified with the copies of supporting documents of such address collected during the said physical verification, duly authenticated from the occupant of the property where the said registered office is situated. The Accounts Amendment Rules also provide a format in which the report of the physical verification should be prepared.

The above amendments are effective from the date of publication in the Official Gazette (i.e., 18 August 2022).

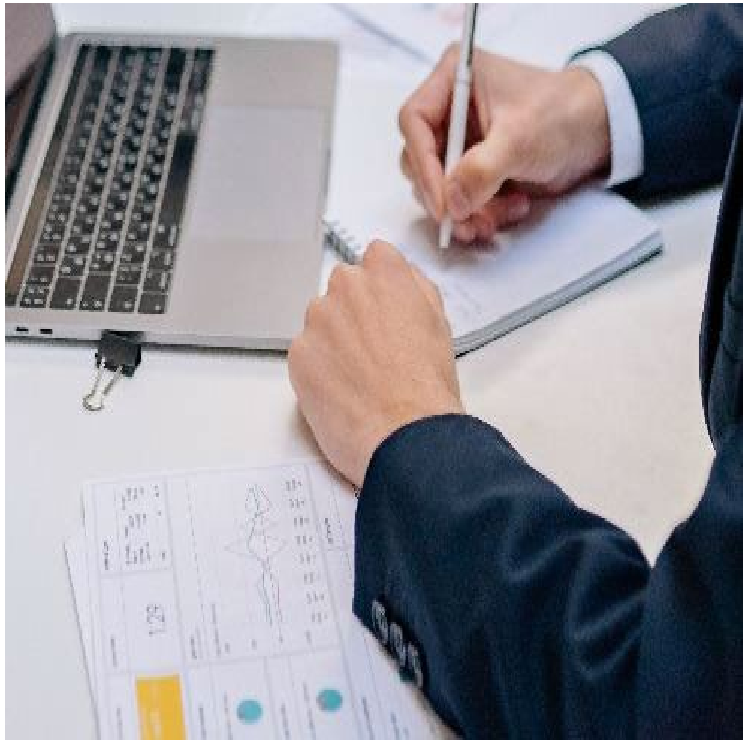
To access the text of the notification, please click here.

Subsequently, on 24 August 2022, MCA notified related amendments to the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 (Removal of Name Rules), and amended certain forms prescribed in the Removal of Name Rules.

Section 12(9) of the Companies Act, 2013 read with Rule 25B of the Incorporation Rules permit a Registrar of Companies to initiate an action for removal of name of companies from the register of companies if, after a physical verification, the registrar of companies has reasonable cause to believe that the company is not carrying on any business or operations. Currently the forms prescribed in the Removal of Name Rules are silent on this aspect.

The amended forms are as follows:

- Form STK-1 (Notice for removal of names of companies from the register of companies)
- Form STK-5 (Public notice for removal of names of companies)



[15] Section 12 of the Companies Act, 2013 deals with registered office a company.

[16] Cases where the registered office is found to be not capable of receiving and acknowledging all communications and notices.

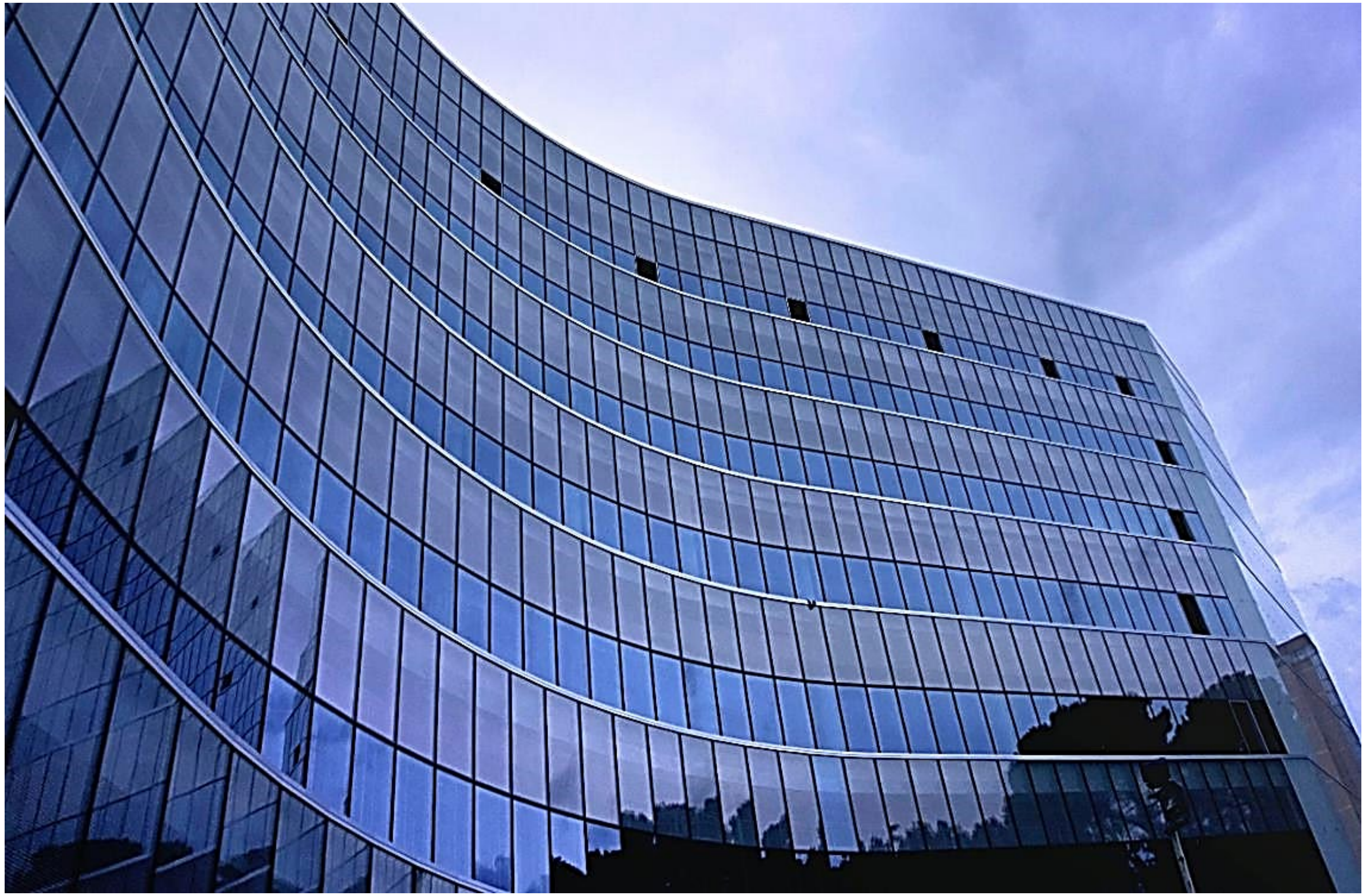
[17] MCA21 is an e-Governance initiative of the Government of India that enables an easy and secure access of the MCA services to the corporate entities, professionals and citizens of India.

Regulatory updates

- Form STK-5A (Public notice by MCA).

The above amendments are effective from the date of publication in the Official Gazette (i.e., 24 August 2022).

To access the text of the notification, please click here.



Updates from SEBI

SEBI issues a consultation paper on issue of green and blue bonds as a mode of sustainable finance

The Securities and Exchange Board of India (SEBI) introduced the concept of **Green Debt Security (GDS)** under the *erstwhile* SEBI (Issue and Listing of Debt Securities) Regulations, 2008[18]. SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 defines GDS as:

A debt security issued for raising funds that are to be utilised for project(s) and/or asset(s) falling under any of the following categories, subject to the conditions as may be specified by SEBI from time to time:

- *i. Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use clean technology,*
- *ii. Clean transportation including mass/public transportation,*
- *iii. Sustainable water management including clean and/or drinking water, water recycling,*
- *iv. Climate change adaptation,*
- *v. Energy efficiency including efficient and green buildings,*
- *vi. Sustainable waste management including recycling, waste to energy, efficient disposal of wastage,*
- *vii. Sustainable land use including sustainable forestry and agriculture, afforestation,*
- *viii. Biodiversity conservation, or*
- *ix. A category as may be specified by SEBI, from time to time.*

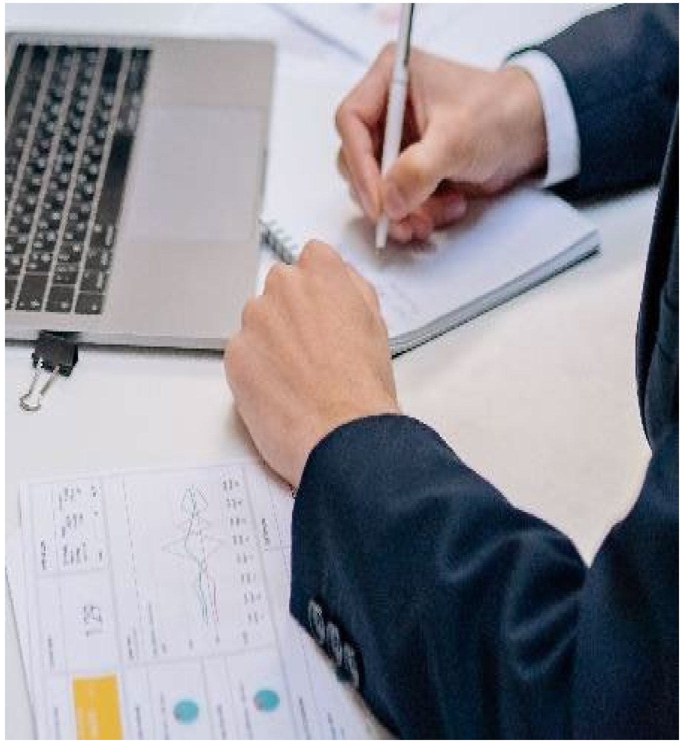
Further, Chapter IX of SEBI's operational circular dated 10 August 2021 specifies certain key concepts and provisions with regard to the issue and listing of GDS, including the disclosure requirements in the offer document, continuous disclosure requirements in annual report and financial results, responsibilities of the issuer, etc.

However, with an increase in focus towards sustainability reporting and multiple changes and events taking place in the sustainable finance space around the world, SEBI, on 4 August 2022 released a consultation paper on green and blue bonds as a mode of sustainable finance (the consultation paper). The consultation paper discusses some important concepts, including the present status of green bonds as a mode of finance in India, scope of blue bonds, overall global scenario of sustainable financing, etc. The consultation paper seeks comments on a proposed regulatory framework to:

- amplify the definition of GDS
- introduce the concept of blue bonds
- reduce compliance cost for issuers of GDS with while not creating any perverse incentives that may lead to 'greenwashing'.

Some of the key points discussed in the consultation paper are as follows:

- **Initiatives that may be financed through green bonds:** The consultation paper mentions certain schemes/policies undertaken by the Government of India to achieve the climate change goals[19] such as phasing out coals use, using biomass in coal power plants, etc. The consultation paper solicited views on whether such initiatives offer any scope of financing through green bonds.



[18] SEBI (Issue and Listing of Debt Securities) Regulations, 2008 merged into SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, vide SEBI notification dated 9 August 2021.

[19] These climate change goals were committed by India in the COP-26 summit held in Glasgow

- **Introduction of blue bonds:** The Government of India has announced an initiative to develop country's blue economy by rolling out the road map of project Sagarmala. According to the World Bank, blue economy refers to the "sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem". In this regard, deployment of blue bonds can emerge as an important source of finance for various aspects of the blue economy. The consultation paper has also suggested some initiatives for which blue bonds can be deployed, such as sustainable fishing, ocean resource mining, geoengineering techniques, etc. The consultation paper solicited views on whether the initiatives mentioned in the consultation paper offer any scope for financing through blue bonds, and whether any additional initiatives may be added to the list. It also seeks views on whether introduction of coloured bonds (e.g., blue bonds for blue economy, yellow bonds for solar power) would help increase channels for funding to green projects.

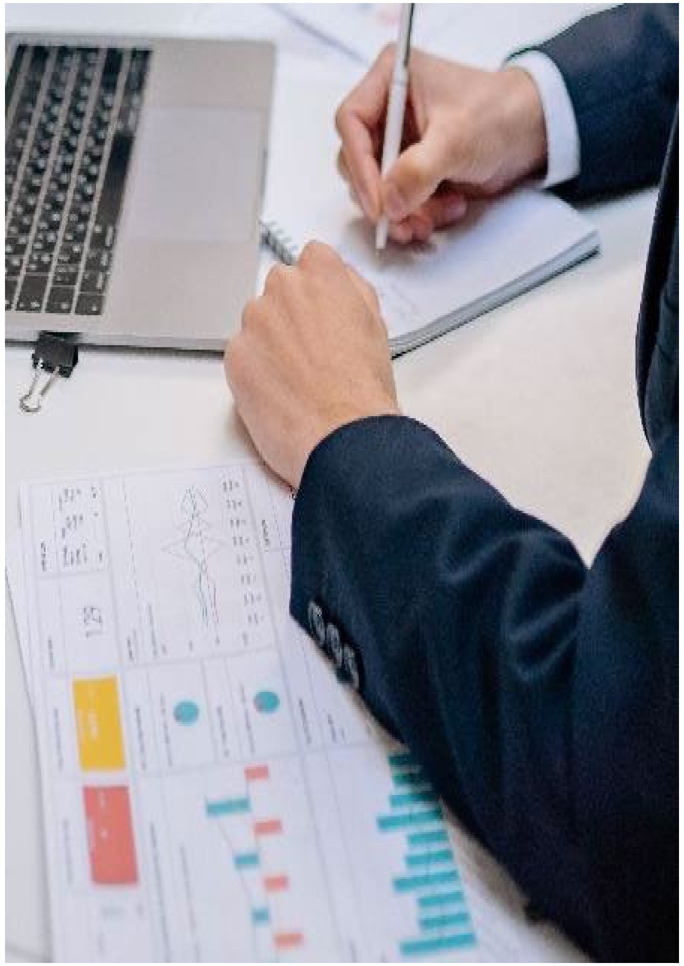
- **Proposed amendments to SEBI guidelines to align with international principles:** The consultation paper proposed recommendations by SEBI's Corporate Bonds Securitisation Advisory Committee (CoBoSAC) to align the existing SEBI guidelines with the Green Bond Principles (GBP) published by the International Capital Market Association (ICMA). Some of the key amendments proposed in this regard include:

  - **Change in the definition of GDS under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021:** It has been proposed to add pollution prevention and control, and circular economy adapted products, production technologies and processes as eligible categories for issuance of GDS in the definition of GDS.

  - **Utilisation of issue proceeds:** It is proposed that utilisation of proceeds from each issue of GDS should be tracked and disclosed separately (bond by bond approach) or on an aggregated basis for multiple green bonds (portfolio approach), and the issuer should disclose the intended types of temporary placement for the balance of unallocated net proceeds, if any.

  - **Identification and management of perceived social and environmental risks:** It has been proposed that the issuer may provide information on processes by which the perceived social and environmental risks associated with the project(s) proposed to be financed/refinanced are identified and managed.

  - **Appointment of third-party reviewers/certifiers/auditors:** It has been recommended that an issuer may appoint external reviewers/certifiers/auditors for:
    - Assessment of objectives of the green bond to be issued,
    - Post-issue management of use of proceeds from the green bond, and
    - Verification of internal tracking and fund allocation from the green bond proceeds to eligible green projects etc.



Regulatory updates

Consequent to this amendment, SEBI vide a circular dated 25 August 2022, has stated that AMCs should ensure a scheme wise disclosure of investments, as on the last date of each quarter, in securities of such entities that are excluded from the definition of an associate. The disclosures of investments would include ISIN wise value of investment and value as a percentage of Asset Under Management (AUM) of the scheme. Such disclosures should be provided on the websites of respective AMCs and on the website of the Association of Mutual Funds in India.

To access the text of the MF Amendment Regulations, please click here.

To access the text of the SEBI circular dated 25 August 2022, please click here.

International update

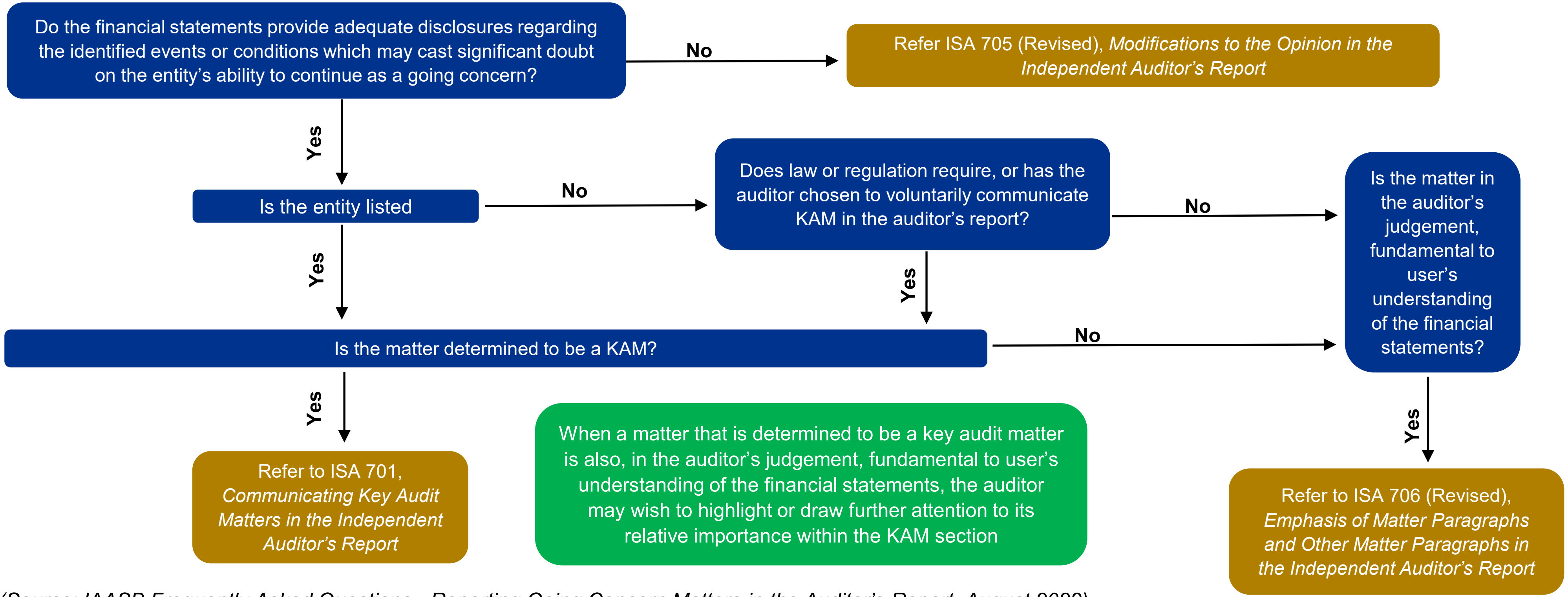
Auditing updates

Auditing updates

Updates from IAASB

IAASB issues FAQs for reporting going concern matters in the auditors' report

On 1 August 2022, the International Auditing and Assurance Standards Board (IAASB) issued a non-authoritative publication to address some of the common questions related to reporting going concern matters in an auditor's report. Specifically, the publication focuses on the use of and interrelationship between the Material Uncertainty Related to Going Concern (MURGC), Key Audit Matters (KAM) sections, and the Emphasis of Matter (EOM) paragraphs in an auditor's report, prepared in accordance with the International Standards on Auditing (ISAs). The publication also includes a diagram that walks users through the use of MURGC, KAM sections and EOM paragraphs and the corresponding impact on auditor reporting:



(Source: IAASB Frequently Asked Questions - Reporting Going Concern Matters in the Auditor's Report, August 2022)

Action Points for Auditors

Due to the COVID-19 pandemic, various instances came to light wherein the existence of material uncertainty led to a significant doubt on the entity's ability to continue as a going concern. In this regard, the IAASB publication reiterates the basic principles of MURGC, KAM and EOM and their corresponding implications on an audit opinion and an auditor's report.

To access the text of the IAASB publication, please click here

Auditing updates

Updates from IESBA

IESBA staff releases Q&As to spotlight key changes to the Non-Assurance Services provisions of the IESBA code

On 28 April 2021, the International Ethics Standards Board for Accountants (IESBA) made revisions to the Non-Assurance Service (NAS) provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). The revised provisions include certain new requirements that expressly prohibit firms and network firms from providing certain types of NAS to their audit clients, especially when they are Public Interest Entities (PIEs). In this regard, IESBA staff released a Questions and Answers (Q&As) publication for explaining the key revisions to the NAS provisions of the Code. The publication comprises of the following five sections:

a. General prohibitions and applying the conceptual framework to NAS,

b. Applying provisions relating to a self-review threat to independence, including when providing advice and recommendations to an audit client,

c. Provisions relating to specific types of NAS,

d. Firm communication with Those Charged With Governance (TCWG) about NAS, and

e. Other matters.

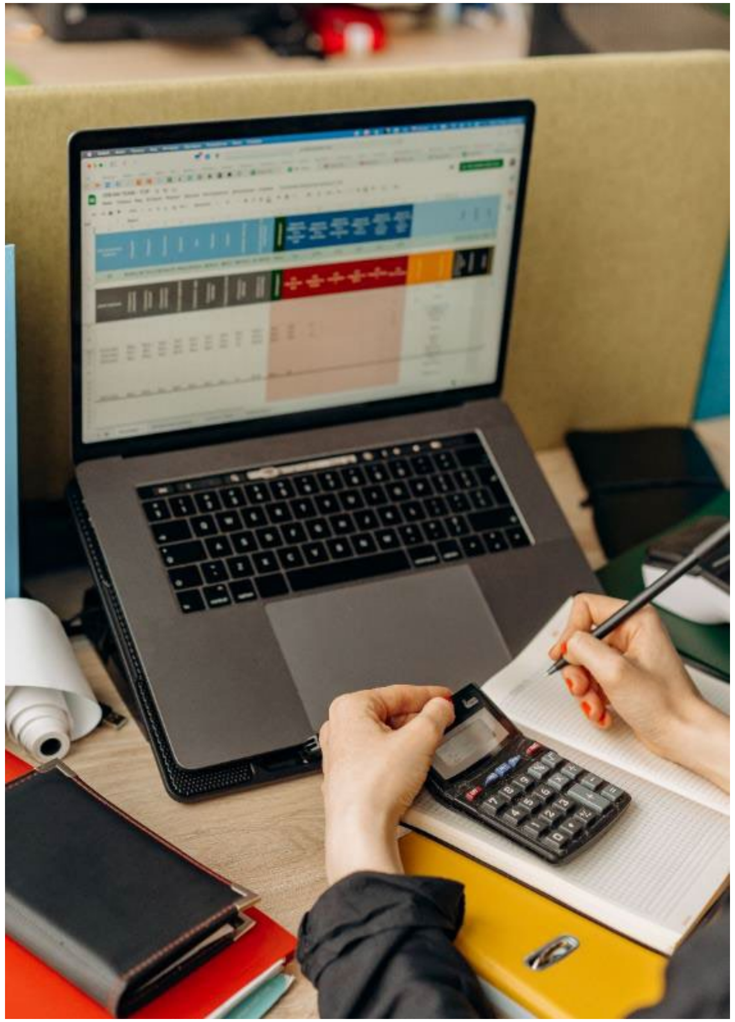
Some of the key issues and revisions to the NAS provisions discussed in the publication include prohibition on assuming management responsibility when providing NAS to an audit client, identification and evaluation of threats to independence in relation to providing NAS to audit clients, additional considerations required in cases where multiple NAS are provided to the same audit client, exceptions to self-review threats and so on.

To access the text of the publication, please click here.

Action Points for Auditors

- The revised NAS provisions are effective for audits of financial statements for periods beginning on or after 15 December 2022. While similar provisions have not been included in the code of ethics issued by ICAI and applicable to audit firms in India, auditors undertaking assignments involving reporting to a parent entity/regulator outside India may need to comply with these provisions. Auditors may refer this publication to understand the entity-specific situations and events illustrated with the help of examples.

- In line with the revisions being made to the Code, IAASB is pursuing a project to consider a number of matters relevant to the International Standards on Auditing, including whether and how to address the transparency requirements. Auditors should thus, watch this space for further developments.

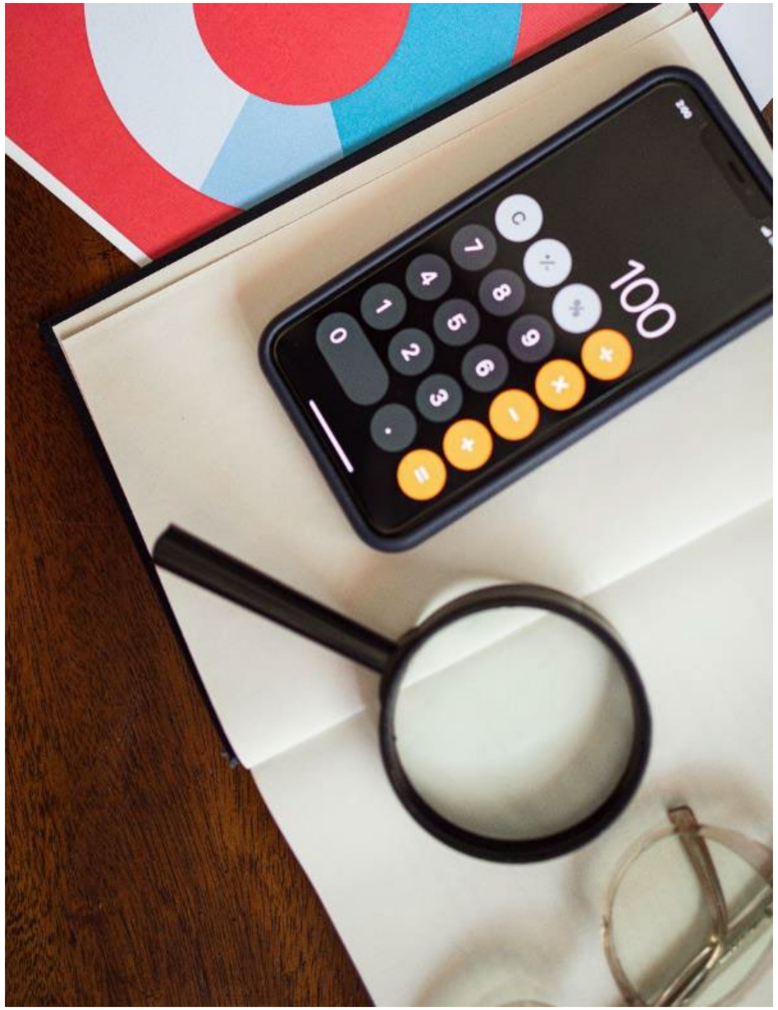


ICAI publications

ICAI publications

The table below provides an overview of some important publications released by the ICAI during this month:

Publication	Particulars
Compendium of opinions issued by EAC (Volume XLI)	ICAI has issued the 41st volume of the compendium of opinions issued by the Expert Advisory Committee (EAC) (Volume XLI). It contains opinions finalised between 12 February 2021 and 31 October 2021. Some of the key issues include: • Treatment of investments in subsidiaries/associates held through policyholders' funds, • Accounting treatment for backstopping arrangement for Compulsorily Convertible Debentures (CCDs), • Accounting treatment of construction of facilities for import of additional requirement of power, • Accounting treatment in the company's standalone financial statements for the corporate guarantee (deed of guarantee) issued by the company being parent company to banks/suppliers/service providers on behalf of its step-down subsidiary company, • Accounting treatment of expenditure incurred on the assets not owned by the company, and • Classification of business activity as an operating activity or investing activity To access the publication, please click here.
Guidance note on tax audit under Section 44AB of the Income Tax Act, 1961 – AY 2022-23	Section 44AB of the Income-tax Act, 1961 contains provisions pertaining to the tax audit under the Income Tax Audit, 1961. A tax audit is an examination of a taxpayer's books of account and other relevant records. The examination is conducted to ensure that during the tax audit, the person responsible for issuing the tax audit report is expected to verify the financial statements based on which income computation is based are true and fair and particulars furnished in form No. 3CD are true and correct. There have been substantial changes in provisions of law and clauses included in the particulars to be furnished in the Form No. 3CD since the last publication. The ICAI issued a revised Guidance Note on Tax Audit u/s 44AB of the Income-tax Act, 1961. To access the publication, please click here.



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