THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(SET UP BY AN ACT OF PARLIAMENT)

E-NEWSLETTER

SEPTEMBER 2026



THRISSUR BRANCH (SIRC)



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EDITORIAL



Dear Members,

The profession of Chartered Accountancy continues to evolve beyond its traditional boundaries. While technical competence remains the foundation of our profession, the expectations placed upon us today extend much further—to the quality of our processes, the strength of our documentation, the trust we build with our clients and, above all, the values we uphold in every professional engagement.

As professionals, we often work amidst demanding timelines, statutory deadlines and an ever-expanding regulatory environment. In this busy cycle of compliance, it is worthwhile to occasionally reflect on a fundamental question: **Are we merely completing assignments, or are we creating lasting professional value?**

A return filed, an audit completed or a compliance requirement fulfilled may mark the completion of an assignment, but our professional responsibility does not necessarily end there. The manner in which we communicate, respond to concerns, understand our clients' businesses and provide timely guidance plays an equally important role in building enduring professional relationships.

In this context, **CA M. Jhana Shree**, through the article "Beyond Filing: Turning Tax Season into Lasting Client Relationships," brings out an important dimension of professional practice—the need to move beyond statutory compliance and focus on client experience, communication and long-term relationships. The article reminds us that while compliance may bring clients to our offices, it is ultimately trust that sustains professional relationships over the years.

Equally important is the strength of the professional processes that support such trust. The article on **Audit Documentation under SA 230** provides a comprehensive perspective on the importance of maintaining appropriate audit documentation. In an environment of increasing regulatory scrutiny, documentation is much more than an administrative exercise. It provides evidence of the procedures performed; audit evidence obtained, professional judgements exercised and conclusions reached, and therefore remain fundamental to audit quality and professional accountability.

These contributions remind us that professional excellence has many dimensions. **Technical knowledge gives us competence; documentation demonstrates our diligence; communication builds confidence; and integrity sustains trust.** Together, they define the quality and credibility of our profession.

I extend my sincere appreciation to **CA M. Jhana Shree and all the contributors to this edition** for sharing their knowledge, experience and professional insights for the benefit of our members. Such contributions make our newsletter a meaningful platform for knowledge sharing, professional development and collective learning.

As we move forward, let us continue to strengthen our knowledge, improve our systems and embrace the changes taking place around us, while remaining firmly rooted in the values of integrity, independence and professional excellence that define our profession.

I hope you find this edition informative, relevant and enriching.

Members who wish to contribute and publish their articles in the forthcoming editions of our newsletter are invited to send their articles to the designated email ID: trichur@icai.org on or before 5th of every month.

Your contributions and sharing of professional knowledge will help make our newsletter more informative, diverse and enriching for the entire professional community.

Happy Reading!

CA. Vineesh Chandran K.

Editor

ICAI Thrissur Branch (SIRC)

CHAIRPERSON'S MESSAGE



Dear Esteemed Members,

It gives me great pleasure to connect with you through the **September 2026 edition of the ICAI Thrissur Branch e-Newsletter** and share a glimpse of the key initiatives undertaken by the Branch during the past month.

The continued growth and strength of our profession are founded upon k**nowledge, excellence, integrity and a commitment to continuous learning.** In keeping with these values, the Branch organised a **One-Day Seminar on "Tax Audit – 2026 Perspective & New Income Tax Act"** on 18 August 2026. The programme, enriched by the valuable insights and expertise of **CA. Cotha S. Srinivas, Bengaluru**, and **CA. (Dr.) Girish Ahuja, Delhi,** provided members with meaningful perspectives on important developments in taxation and professional practice. The enthusiastic participation of 171 members, earning 6 CPE hours, reflects the continued commitment of our members towards professional learning and development.

Our Branch also actively participated in the SIRC Regional Conference at Guntur, with approximately 100 members from the Thrissur Branch attending the two-day conference. Such professional forums provide valuable opportunities for knowledge sharing, interaction and networking, while strengthening the spirit of fellowship and professional camaraderie among members.

The Branch also commemorated Independence Day 2026 with great enthusiasm and patriotic spirit. The National Flag was ceremonially hoisted at ICAI Bhawan, followed by an address to members and students. The participation of nearly 300 members and students added significance to the occasion and reflected our collective sense of pride, responsibility and commitment towards the nation.

Our commitment to the academic development of aspiring Chartered Accountants continues to remain a key priority. Through our regular coaching initiatives, the Branch is presently extending academic support to 435 students across the CA Foundation, Intermediate and Final levels. We remain committed to providing our students with a conducive learning environment, appropriate academic guidance and continuous support as they progress towards their professional goals.

Looking ahead, the Branch has planned a series of professional, academic and member-oriented programmes designed to enhance knowledge, facilitate meaningful interaction and create greater opportunities for the professional and personal development of our members and students. We look forward to bringing forth more relevant, engaging and value-driven initiatives in the coming months, with the continued participation and support of our members.

I take this opportunity to express my sincere gratitude to all our members for their continued participation, encouragement and wholehearted support extended to the initiatives of the Branch. I also place on record my sincere appreciation to our speakers, faculty members, students, staff and Managing Committee members, whose valuable contributions and collective efforts continue to make our programmes successful.

As we move forward, let us continue to uphold the cherished values of professional excellence, integrity, continuous learning and service, and work together towards further strengthening the ICAI Thrissur Branch and contributing meaningfully to the growth and advancement of the Chartered Accountancy profession.

I look forward to your continued support, encouragement and active participation in all our forthcoming initiatives.

With warm regards,

CA. Varghese Paul
Chairperson
ICAI Thrissur Branch (SIRC)

Building Better CA Practices – Series 2

Leadership • Systems • Client Experience • Wellbeing • Professional Excellence

Beyond Filing: Turning Tax Season into Lasting Client



CA M. JHANA SHREE

"Clients may remember the return you filed, but they never forget the experience you created."

INTRODUCTION – WHEN THE FILING SEASON ENDS, RELATIONSHIPS BEGIN.

For every Chartered Accountant, the income-tax filing season represents one of the busiest periods of the year. Long working hours, numerous client interactions, document follow-ups and strict deadlines often define the professional calendar.

Once the last return is filed, many firms immediately shift their focus to the next compliance assignment. However, an important opportunity quietly slips away.

While tax returns may have been successfully filed, an equally important question remains:

"Has the filing season strengthened the client's confidence in our practice?"

Compliance may bring clients to our office, but trust determines whether they remain with us for years.

September is therefore an ideal month—not merely to recover from the filing season, but to strengthen professional relationships that extend far beyond statutory deadlines.

A RETURN FILED IS NOT A RELATIONSHIP BUILT

Every return filed represents more than a statutory obligation. Behind every computation lies a family, a business, a dream, or years of hard work entrusted to a professional.

Clients seldom evaluate only technical accuracy.

They also remember:

- Was communication timely?
- Were their doubts answered patiently?
- Were deadlines explained clearly?
- Did the firm reduce their anxiety?
- Did they feel respected throughout the process?

The answers to these questions often determine whether a client returns next year—or recommends the firm to others.

THE DIFFERENCE BETWEEN COMPLIANCE AND CLIENT EXPERIENCE

Compliance answers the question:

"Was the work completed?"

Client experience answers:

"How did the client feel while the work was being completed?"

Two firms may file identical returns with identical accuracy.

Yet one firm earns lifelong clients while another becomes just another service provider.
The difference often lies in communication, responsiveness, empathy and consistency.

SEPTEMBER: THE PERFECT RELATIONSHIP-BUILDING MONTH

Unlike the peak filing season, September provides breathing space.

This is the ideal time to:

- thank clients for their cooperation,
- review feedback,
- organise client records,
- improve internal systems,
- and initiate meaningful conversations beyond compliance.

Small efforts during this period often create long-term goodwill.

SIMPLE PRACTICES THAT LEAVE A LASTING IMPRESSION

Professional relationships are strengthened through thoughtful consistency rather than expensive gestures.

Consider introducing practices such as:

A THANK YOU MESSAGE

A personalised message appreciating the client's timely cooperation creates a positive impression.

POST-FILING REVIEW

Briefly discuss:

- observations noticed during filing,
- possible tax planning opportunities,
- documentation improvements for next year.

Clients appreciate proactive guidance.

EDUCATIONAL COMMUNICATION

Instead of contacting clients only when information is required, periodically share:

- compliance updates,
- financial awareness,
- simple tax tips.

Education builds credibility.

LISTENING IS ALSO A PROFESSIONAL SERVICE

Clients often remember professionals who listened carefully.

Ask simple questions such as:

- Was our communication clear?
- Could we improve any process?
- Were there any difficulties during document submission?

Constructive feedback becomes the foundation of continuous improvement.

BUILDING LIFETIME CLIENTS INSTEAD OF ANNUAL CLIENTS

A client should never feel that interaction begins in July and ends in September.

Strong firms remain visible throughout the year by:

- periodic review meetings,
- financial planning discussions,
- business advisory conversations,
- compliance reminders,
- educational newsletters.

When clients see continuous value, professional relationships naturally deepen.

TECHNOLOGY SHOULD STRENGTHEN RELATIONSHIPS

Digital tools should simplify communication—not replace human connection.

Consider using:

- client portals,
- document checklists,
- automated reminders,
- secure document sharing,
- online appointment scheduling.

Technology saves time, allowing professionals to spend more time on meaningful client conversations.

A WORD FOR EMPLOYEES AND ARTICLE ASSISTANTS

Every interaction shapes the firm's reputation.

Whether answering a phone call, receiving documents or responding to emails, professionalism should remain consistent.

Remember:

Clients may never meet every partner.

But they interact with the firm's people every day.

Courtesy, patience and clarity are therefore everyone's responsibility.

SUMMARY

The conclusion of the tax filing season should not mark the end of client engagement.

Instead, it should become the beginning of stronger professional relationships built on trust, responsiveness and genuine concern.

When firms consistently deliver both technical excellence and positive client experiences, they move beyond compliance and become trusted advisors.

CLIENT RELATIONSHIP CHECKLIST

For Practice Leaders

☐ Send personalised thank-you messages to clients.
☐ Conduct a post-filing internal review.
☐ Record common client concerns for future improvements.
☐ Identify advisory opportunities for existing clients.
☐ Encourage team members to seek constructive feedback.
☐ Update client records and communication preferences.
☐ Plan quarterly educational communication.
☐ Recognise employees who delivered excellent client service.

FOR EMPLOYEES & ARTICLE ASSISTANTS

☐ Respond to client queries courteously.
☐ Maintain organised documentation.
☐ Communicate timelines clearly.
☐ Follow up professionally.
☐ Treat every interaction as an opportunity to build trust.

REFLECTION CORNER

Take a few moments to reflect:

- **If I were my own client, would I happily return next year?**
- **What one change can I make to improve my client's experience—not just the compliance process?**
- **Am I building a practice that clients remember only during tax season, or throughout the year?**

CONCLUSION

"Compliance earns a fee. Trust earns a relationship. Relationships build enduring practices."

As Chartered Accountants, our responsibility extends beyond preparing financial statements and filing returns. We are entrusted with our clients' aspirations, businesses and peace of mind.

When we combine professional competence with empathy, responsiveness and genuine care, we create something far more valuable than a completed assignment—we build lasting relationships.

May every filing season become not only a period of compliance, but also an opportunity to strengthen trust, deepen professional bonds and build practices that clients confidently recommend to others.

BUILDING BETTER CA PRACTICES

This article is part of the "Building Better CA Practices" series, exploring leadership, systems, client experience, wellbeing and professional excellence in Chartered Accountancy. Each month, we explore practical ideas that help transform professional practice—one thoughtful improvement at a time.

Audit Documentation: Standard on Auditing (SA) 230

A Comprehensive Treatise on Principles, Practice, Quality Control, and Statutory Compliance under the Companies Act, 2013

"The skill of an accountant can always be ascertained by an inspection of his working papers."

— Robert H. Montgomery

1. INTRODUCTION AND STATUTORY ARCHITECTURE OF AUDIT DOCUMENTATION

Audit documentation is the foundational bedrock of the financial statement audit process. It constitutes the tangible, verifiable trail connecting the preliminary planning stages, risk assessment procedures, detailed field testing, and substantive evaluations conducted by the engagement team to the final independent audit opinion rendered to stakeholders and regulatory authorities. In the contemporary assurance ecosystem—characterized by complex corporate structures, multi-layered regulatory frameworks, and rigorous inspection regimes by independent regulators such as the National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), the Securities and Exchange Board of India (SEBI), and the Public Company Accounting Oversight Board (PCAOB)—audit documentation is not a peripheral administrative compliance exercise. It is the definitive substantive evidence of audit quality, professional skepticism, and professional competence.

Standard on Auditing (SA) 230, titled 'Audit Documentation', issued by the ICAI, establishes the mandatory standards and procedural guidelines governing an auditor's professional responsibilities regarding the preparation, assembly, retention, ownership, and maintenance of audit files. The Standard operates on a fundamental premise universally recognized across international auditing jurisdictions: 'Work done but not documented is work not done.' A rigorous audit execution without contemporaneous, well-structured, and cross-referenced documentation leaves the auditor completely vulnerable to regulatory sanctions, professional liability claims, and severe reputational damage.

SA 230 mandates that the auditor prepare documentation on a timely basis that provides a sufficient and appropriate record of the basis for the auditor's report, and substantive evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. This foundational mandate intersects directly with Standard on Quality Control (SQC) 1, 'Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements', as well as the overarching provisions of Section 143 of the Companies Act, 2013.

2. DEFINITIVE CONCEPTS, SCOPE, AND OVERARCHING OBJECTIVES OF SA 230

2.1 Regulatory Definition as per SA 230

According to paragraph 6 of SA 230, Audit Documentation is formally defined as:

"Audit Documentation is the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. The terms 'working papers' or 'workpapers' are also frequently used to describe such documentation."

— SA 230, Paragraph 6(a)

Documentation refers to the entire body of working papers prepared or obtained by the auditor and retained in physical or electronic form in connection with the performance of the engagement. Working papers encompass audit programs, analysis sheets, memoranda, summaries of significant matters, letters of confirmation and representation, checklists,

correspondence (including emails) concerning significant matters, and extracts or copies of entity documents.

2.2 Dual Primary Objectives

Audit documentation fulfills two indispensable primary objectives that anchor the integrity of the audit process:

• **1. Evidentiary Basis for the Audit Opinion:** It provides an adequate, complete, and robust record of the basis upon which the auditor reached conclusions and formed the audit opinion on the true and fair view of the financial statements.

• **2. Proof of Regulatory & Standard Compliance:** It provides concrete, demonstrable proof that the audit engagement was planned, directed, supervised, executed, and reviewed in full compliance with the Standards on Auditing (SAs), relevant statutory provisions, applicable financial reporting frameworks, and the ethical standards prescribed by the professional code of conduct.

2.3 Secondary and Operational Objectives

Beyond fulfilling its primary evidentiary mandate, audit documentation serves several vital operational and quality assurance purposes:

• **Assisting in Planning and Performance:** Enables the engagement team to structure an effective audit approach, allocate team resources based on risk assessments, and adjust testing strategies dynamically as risks evolve during the audit cycle.

• **Facilitating Direction, Supervision, and Review:** Serves as the operational mechanism through which the Engagement Partner, Quality Reviewer, and senior engagement personnel monitor work delegated to assistants, verify the depth of procedures performed, and confirm that all audit queries have been adequately cleared prior to report issuance (in compliance with SA 220 and SQC 1).

• **Establishing Individual Accountability:** Provides an indisputable record of accountability by identifying the specific individuals who executed each audit procedure and the reviewers who evaluated the evidence, verified the conclusions, and signed off on the respective working papers.

• **Retaining a Continuous Record for Future Engagements:** Preserves cumulative institutional knowledge regarding the entity's accounting policies, organizational structure, internal control deficiencies, significant accounting estimates, and contractual commitments for subsequent recurring audits.

• **Enabling Quality Reviews and External Regulatory Inspections:** Provides an accessible, structured trail for Engagement Quality Control Reviews (EQCR), ICAI Peer Review Board inspections, Quality Review Board (QRB) examinations, and NFRA regulatory inquiries under Section 132(4) of the Companies Act, 2013.

3. CORE PRINCIPLES AND CARDINAL RULES OF AUDIT DOCUMENTATION

3.1 The 'Experienced Auditor' Standard

The benchmark for determining the sufficiency and appropriateness of audit documentation is the 'Experienced Auditor' principle. SA 230 stipulates that audit documentation must be prepared with sufficient clarity, detail, and rigor such that an experienced auditor, having no prior connection with the specific engagement, can independently review the working papers and clearly understand:

• **Nature, Timing, and Extent (NTE):** The precise nature, timing, and extent of the audit procedures executed to comply with the SAs and applicable statutory and regulatory requirements.

• **Results and Evidence Obtained:** The empirical results of the procedures performed and the exact nature and credibility of the audit evidence gathered in support of management assertions.

• **Significant Matters and Professional Judgments**: The significant matters identified during the course of the audit, the underlying facts and circumstances, the technical discussions held with management or Those Charged With Governance (TCWG), and the significant professional judgments exercised in reaching the final conclusions.

An 'experienced auditor' is conceptualized as a professional who possesses practical auditing experience and a comprehensive understanding of auditing processes, SAs and regulatory requirements, the business environment in which the entity operates, and relevant financial reporting issues applicable to the entity's industry.

3.2 Form, Content, and Extent of Working Papers

The form, content, and extent of audit documentation depend on a variety of engagement-specific factors. It is neither necessary nor practicable for an auditor to document every single observation, calculation, or consideration. The extent of documentation is inherently a matter of professional judgment. However, all significant matters requiring the exercise of judgment, along with the rationale and basis for the auditor's final conclusions, must be comprehensively documented.

The form and structure of working papers are influenced by:

- **Nature and Complexity of the Client's Business:** Entities operating in complex, heavily regulated sectors (such as banking, insurance, telecommunications, or pharmaceuticals) require specialized documentation detailing complex revenue recognition models, derivative valuations, regulatory capital computations, and clinical trial provisioning.
- **Nature of the Engagement:** Whether the engagement is a statutory audit under the Companies Act, an internal audit, a concurrent bank audit, a tax audit under Section 44AB of the Income-tax Act, 1961, or a special-purpose forensic assignment.
- **Condition of Accounting Records and Reliance on Internal Controls:** If internal controls are robust and tested as effective (SA 330), substantive testing documentation may be scaled; if controls are weak, unreliable, or disorganized, extensive substantive test of details and expanded sample working papers must be generated.
- **Identified Risks of Material Misstatement (RoMM):** Higher assessed risks of material misstatement require correspondingly comprehensive documentation of responsive audit procedures, challenging of management assumptions, and corroborative testing.
- **Format and Nature of the Audit Report:** A modified audit opinion, an 'Emphasis of Matter' paragraph, or reporting on Key Audit Matters (KAMs) under SA 701 requires exhaustive underlying working papers documenting the rationale, supporting evidence, and TCWG communications.
- **Audit Methodology and Tools Utilized:** The use of electronic audit management software, Automated Tools and Techniques (ATT), generalized audit software (e.g., IDEA, ACL), or data analytics scripts requires documenting the extraction parameters, data integrity verifications, and analytical scripts applied.

3.3 Standard Working Paper Structure and Cross-Referencing Protocols

To ensure high structural consistency and readability, professional audit firms must mandate a standardized layout for every working paper sheet. A well-organized working paper should contain:

- **Standard Header Block:** Client Name, Financial Year / Period Under Audit, Title of the Working Paper (e.g., 'Impairment Testing of PPE - Plant Unit 3'), Alphanumeric Index Reference (e.g., 'FA-04/02'), Name/Initials of Preparer with Execution Date, and Name/Initials of Reviewer with Review Date.
- **Stated Audit Objective:** A concise description of the specific assertion being tested (e.g., 'To verify the valuation and completeness of Trade Receivables exceeding 180 days').
- **Scope and Materiality Thresholds:** Definition of the population, sampling methodology, sample size, and performance materiality threshold applied.
- **Detailed Procedures and Findings:** Tabulation of sample items selected, document numbers verified, calculations checked, variances observed, and inquiries made.
- **Tick Mark Explanations:** Clear, standardized legends explaining every tick mark, symbol, and annotation used across the schedule.

• **Clear Audit Conclusion:** An unambiguous evaluative statement regarding whether the audit objective was achieved and whether the financial statement account balance is free from material misstatement.

4. TIMELINES, ASSEMBLY, AND RETENTION OF AUDIT FILES

4.1 Timely Preparation

Audit documentation prepared contemporaneously—at the time the audit work is performed—is significantly more accurate, reliable, and authentic than documentation prepared retrospectively. Contemporaneous recording allows the engagement team to capture nuances of inquiries, immediate observational insights, and immediate management representations before memories fade or perspectives shift.

4.2 Assembly of the Final Audit File (The 60-Day Mandate)

SA 230, read with SQC 1, establishes a strict administrative deadline for finalizing and locking the audit file:

"The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report."

— SA 230, Paragraph A21

It is critical to distinguish between audit performance and file assembly. The assembly process is strictly an administrative procedure. It does not involve executing new audit procedures, gathering new evidence, or altering audit conclusions. Permissible activities during the 60-day assembly period include:

• **Deleting Superseded Notes:** Discarding preliminary drafts, superseded calculations, duplicate printouts, and informal personal notes.

• **Sorting and Cross-Referencing:** Arranging, collating, indexing, and cross-referencing working papers into their designated permanent and current file structures.

• **Signing Off Checklist Items:** Signing off file completion checklists relating to the assembly process.

• **Documenting Audit Evidence Obtained Prior to Report Date:** Documenting audit evidence that the engagement team had gathered, discussed, and agreed with relevant team members prior to the date of the auditor's report.

4.3 Mandatory Retention Period (The 7-Year Rule)

Under SQC 1 and SA 230, the retention period for audit engagements is ordinarily not shorter than seven (7) years from the date of the auditor's report (or, if later, the date of the group auditor's report on consolidated financial statements). The auditor is legally and ethically prohibited from deleting, discarding, overwriting, or modifying any audit documentation prior to the expiration of this statutory retention period.

4.4 Modifications in Exceptional Circumstances

Where exceptional circumstances arise after the date of the auditor's report (such as subsequent events discovered prior to the issuance of financial statements, or facts discovered that existed at the report date which would have affected the report), and the auditor performs new or additional audit procedures, the auditor must explicitly document:

• 1. The exceptional circumstances encountered.

• 2. The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, along with their effect on the auditor's report.

• 3. When and by whom the resulting changes to audit documentation were made and reviewed.

5. OWNERSHIP, CUSTODY, AND CONFIDENTIALITY OF WORKING PAPERS

5.1 Legal Ownership

It is a firmly settled legal and professional principle that working papers are the exclusive property of the auditor. This principle was judicially recognized in landmark jurisprudence (e.g., *Chantrey Martin & Co. v. Martin [1953] 2 QB 286*) and is formally codified in ICAI ethical pronouncements and SQC 1. The client has no legal right to demand custody or unfettered access to the auditor's internal working papers, audit programs, sample selection algorithms, or internal review notes.

5.2 Auditor's Discretion to Provide Extracts

The auditor may, entirely at their professional discretion, make portions of or extracts from working papers available to the client, provided that such disclosure does not prejudice or undermine the independence, integrity, and validity of the audit work performed. For example, providing a copy of a depreciation calculation schedule or a tax computation sheet to assist the client's accounting team is acceptable, whereas sharing the auditor's fraud risk assessment memos or proprietary sampling methodologies is strictly inappropriate.

5.3 Confidentiality and Custody Obligations

Under the Chartered Accountants Act, 1949 (specifically the Code of Ethics), the auditor is bound by a strict duty of professional confidentiality. Working papers must never be disclosed to third parties without specific client authorization, except where there is a legal or professional duty or right to disclose (such as under summons from a court of law, orders from the NFRA, inquiries by the Income Tax Department under Section 131, or peer review mandates by the ICAI). The auditor must implement robust physical and cybersecurity safeguards to protect files against theft, unauthorized access, cyber intrusions, or accidental loss.

6. CLASSIFICATION OF WORKING PAPER FILES: PERMANENT VS. CURRENT AUDIT FILES

To maintain systematic organization, audit documentation in recurring audits is bifurcated into two primary repositories: the Permanent Audit File (PAF) and the Current Audit File (CAF).

6.1 Permanent Audit File (PAF)

The Permanent Audit File contains information and documentation of continuing legal, structural, and financial importance that remains relevant across multiple reporting periods. It is updated periodically as organizational changes occur.

A comprehensive Permanent Audit File contains:

• **Constitutional Documents:** Certified copies of the Memorandum of Association (MoA) and Articles of Association (AoA) for corporate entities, Partnership Deeds for firms, Trust Deeds for trusts, or governing statutory Acts and Regulations for statutory corporations.

• **Corporate History and Organizational Structure:** Charts depicting corporate hierarchy, subsidiary-associate-joint venture linkages, ultimate beneficial ownership (UBO), and key governance structures.

• **Long-Term Legal Contracts and Commitments:** Copies of long-term lease agreements, technology licensing contracts, joint venture agreements, royalty deeds, collective bargaining pacts, and major bank loan covenants.

• **Internal Control Systems Documentation**: Comprehensive narrative descriptions, standard operating procedure (SOP) manuals, internal accounting flowcharts, and completed internal control questionnaires (ICQs) detailing accounting workflows across business cycles.

• **Historical Financial Records:** Summaries of audited financial statements, key financial ratios, tax assessment history, and permanent transfer pricing studies from prior years.

• **Accounting Policy Framework:** Detailed notes regarding the significant accounting policies adopted by the entity, including bases for revenue recognition, depreciation methods, inventory costing methods, and foreign currency translations.

• **Retiring Auditor Communications:** Formal written records of communication with the retiring/predecessor auditor (under Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949) prior to accepting the audit appointment.

• **Significant Cumulative Observations:** A cumulative record of unresolved internal control deficiencies, unadjusted audit differences carried forward, and recurring accounting issues identified in prior years.

6.2 Current Audit File (CAF)

The Current Audit File contains all working papers, evidence, correspondence, and findings relating exclusively to the specific single reporting period under audit.

A comprehensive Current Audit File includes:

• **Acceptance and Engagement Letters:** Written documentation of annual reappointment, compliance with Section 139/140 of the Companies Act, 2013, and the signed Audit Engagement Letter under SA 210 detailing terms, scope, and responsibilities.

• **Governance and Board Minutes:** Extracts of discussions and formal resolutions passed in meetings of the Board of Directors, Audit Committee, Nomination & Remuneration Committee (NRC), and General Meetings of Shareholders during the financial year.

• **Audit Planning and Risk Assessment:** The overarching Audit Strategy Memorandum, the detailed Audit Plan, determination of Overall Materiality, Performance Materiality, and Clearly Trivial Thresholds (SA 320), assessment of Inherent and Control Risks (SA 315), and the customized Audit Program outlining the nature, timing, and extent of procedures.

• **Supervision and Direction Records:** Evidence of review notes, manager and partner sign-offs on audit workpapers, documentation of team briefing meetings, and minutes of technical consultations on difficult or contentious matters.

• **Communications with Experts and Third Parties:** Copies of written correspondence with management's or auditor's experts (SA 620), component auditors (SA 600), internal auditors (SA 610), and external legal counsels regarding pending litigations.

• **Audit Queries and Client Discussions:** Detailed records of audit queries issued to management, explanations received, documentation of significant weaknesses in internal controls communicated to TCWG (SA 260 and SA 265), and management response letters.

• **Written Management Representations:** The signed Management Representation Letter (MRL) obtained under SA 580, including specific representations on litigation, related parties, subsequent events, and going concern.

• **Execution of Substantive Procedures & Lead Schedules:** Detailed lead schedules for every balance sheet and profit & loss line item, substantive test of details, analytical review sheets, sample evaluation summaries, and bank reconciliation verifications.

• **Resolution of Unusual Matters:** Memos detailing how anomalies, unusual journal entries, unexpected transaction patterns, or exceptions disclosed during audit testing were investigated and resolved.

• **Financial Statements and Audit Report:** A complete copy of the finalized, approved financial statements, accompanying notes, and the signed Independent Auditor's Report.

7. DETAILED WORKING PAPERS FOR COMPANY AUDITS UNDER THE COMPANIES ACT, 2013

7.1 Schedule III Compliance Working Papers

Schedule III to the Companies Act, 2013 establishes rigorous presentation and disclosure mandates for balance sheets, statements of profit and loss, and notes. Statutory auditors must compile dedicated working papers to corroborate every disclosure requirement:

• 1. **Share Capital and Promoter Holding:** Detailed reconciliations of shares outstanding at the beginning and end of the period, register of members, list of shareholders holding >5% equity shares, and comprehensive promoter shareholding schedules with percentage changes during the year.

• 2. **Borrowings and Debt Structuring:** Loan sanction letters, hypothecation deeds, debt covenants, and maturity analysis workpapers to verify the segregation between long-term borrowings, current maturities of long-term debt, and short-term working capital borrowings, including verification of ROC charge registrations (Form CHG-1/CHG-7).

• 3. **Deferred Tax Assets/Liabilities:** Worksheets computing temporary timing differences between accounting book bases and tax bases under AS 22 or Ind AS 12, cross-verified with income tax returns, tax assessment orders, and computation sheets, including assessment of virtual certainty/reasonable certainty for deferred tax asset recognition.

• 4. **Trade Payables and MSME Disclosures:** Trade payable aging schedules categorized into MSME and Non-MSME dues, disputed and undisputed dues, supplier confirmation letters, and calculations of interest payable under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

• 5. **Bank Stock and Book-Debt Statements:** Quarterly and monthly stock statements and book-debt statements submitted to lending banks, matched and reconciled with the underlying financial books of account, documenting reasons for material variances.

• 6. **Statutory Tax Returns and Reconciliations:** Reconciliations of GST returns (GSTR-1, GSTR-3B, GSTR-9) with books of account, TDS/TCS returns (Form 24Q, 26Q, 27Q) matched with Form 26AS/AIS/TIS, and advance tax payment challans.

• 7. **Employee Benefits and Actuarial Valuations:** Actuarial valuation certificates for gratuity, leave encashment, and post-employment medical benefits under AS 15 / Ind AS 19, including testing of key actuarial assumptions (discount rate, salary escalation rate, attrition rate).

• 8. **Title Deeds of Immovable Property:** Title deed verification registers covering all immovable properties (freehold land, leasehold land, factory buildings, office premises), specifically documenting whether title deeds are held in the name of the company, and if not, recording disputes, promoter holding details, and period of delay.

• 9. **Property, Plant & Equipment Additions and Capital WIP:** Verification of capitalization invoices, technical commissioning certificates, physical installation reports, borrow-cost capitalization under AS 16 / Ind AS 23, and aging schedules for Capital Work-in-Progress (CWIP) including projects overdue or paused.

• 10. **Investments Portfolio:** Physical scrip verifications, demat holding statements, mutual fund statements, net asset value (NAV) testing, fair value measurements under Ind AS 109, and testing for other-than-temporary impairment under AS 13.

• 11. **Fixed Deposits and Bank Balances:** Bank confirmation certificates, physical/electronic Fixed Deposit Receipts (FDRs), lien-marking letters for bank guarantees, and interest accrual recalculations.

• 12. **Loans Given and Investments in Group Entities:** Loan agreements, board approvals under Section 179 and 186, rate of interest benchmarks (RBI prevailing yield curve), solvency testing, and tracking of end-use of funds disbursed.

• 13. **Inventory Valuation and AS 2 / Ind AS 2 Compliance:** Cost-vs-NRV test sheets, inventory quantity reconciliations, raw material conversion cost allocations, scrap accounting, and participation in year-end physical inventory counting.

• 14. **Managerial Remuneration:** Computation of managerial remuneration under Section 197 read with Schedule V, board and NRC resolutions, shareholder approvals, and excess remuneration recovery documentation.

• 15. **Foreign Trade Documentation:** Bill of Entry (BE) files, customs assessment notes, and import payment logs; Bill of Lading (BL) files, shipping bills, export realization tracking (EDP blast / BRC records), and compliance with FEMA regulations.

• **16. Related Party Disclosures:** Cross-referencing with registers maintained under Section 189, board disclosures under Section 184, benchmarking arm's-length pricing under Transfer Pricing rules, and complete disclosure notes under AS 18 / Ind AS 24.

• **17. Segment Reporting:** Underlying working papers for identifying reportable business and geographical segments under AS 17 / Ind AS 108, segment asset allocations, and segment revenue reconciliations.

7.2 CARO 2020 Compliance Working Papers

The Companies (Auditor's Report) Order, 2020 (CARO 2020) imposes comprehensive, forensic-level reporting obligations across 21 specific clauses. The statutory auditor must maintain explicit working paper trails to substantiate reporting on each clause:

• **Clause (i) - PPE & Intangibles:** Management representation certificates on periodic physical verification schedules, observation sheets of physical verification carried out by management, title deed ownership schedules, and revaluation working papers by Registered Valuers.

• **Clause (ii) - Inventory & Working Capital Limits:** Physical stock verification reports, inventory coverage and discrepancy reports (>10% discrepancy tracking), and quarterly bank statement reconciliations for sanctioned fund-based working capital limits exceeding ₹5 crore.

• **Clause (iii) - Investments, Loans, Advances & Guarantees**: Comprehensive registers of investments made, guarantees furnished, security provided, and loans/advances granted, along with tests verifying whether terms are prejudicial to the company's interest, repayment schedules, overdue amounts >90 days, and loan renewals/rollovers.

• **Clause (iv) - Loans to Directors & Section 185/186 Compliance:** Legal checks and verification worksheets documenting full compliance with Sections 185 and 186 of the Companies Act.

• **Clause (v) - Public Deposits:** Verification of compliance with RBI directives, Sections 73 to 76, and rules framed thereunder, including National Company Law Tribunal (NCLT) orders.

• **Clause (vi) - Cost Records:** Verification that cost accounts and records have been made and maintained under Section 148(1), and review of the previous and current Cost Audit Reports.

• **Clause (vii) - Statutory Dues:** Detailed schedules of undisputed statutory dues outstanding for more than six months from the date they became payable, and dispute registers detailing disputed taxes, amounts, forum where dispute is pending, and litigation status.

• **Clause (viii) - Undisclosed Income:** Workpapers checking whether unrecorded income has been surrendered or disclosed during Income Tax assessments, search, or survey proceedings.

• **Clause (ix) - Default in Repayments & End-Use of Funds:** Bank-wise and lender-wise schedules of default in repayment of loans or interest, declarations of willful defaulter by banks, application of term loans for intended purposes, and funds borrowed on short-term basis utilized for long-term purposes.

• **Clause (x) - Public Offers & Preferential Allotments:** Verification of fund utilization from IPOs/FPOs, and Section 42/62 compliance for preferential allotment or private placement of shares/debentures.

• **Clause (xi) - Fraud Reporting:** Fraud risk assessment records, examination of whistle-blower complaints, inquiries into suspected frauds by or on the company, and copies of Form ADT-4 filed with the Central Government.

• **Clause (xii) - Nidhi Companies:** Specific statutory ratio calculations (Net Owned Funds to Deposits 1:20; 10% unencumbered term deposits).

• **Clause (xiii) - Related Party Transactions:** Section 177 and 188 compliance checks, Audit Committee approvals, and omnibus approval verification.

• **Clause (xiv) - Internal Audit System:** Review memos examining the scope, coverage, and reports of the Internal Auditor, tied to the size and nature of the entity's business.

• **Clause (xv) - Non-Cash Transactions:** Documentation of compliance with Section 192 regarding non-cash transactions involving directors.

• **Clause (xvi) - RBI Registration (Section 45-IA):** NBFC registration verification worksheets, Core Investment Company (CIC) criteria tests, and group CIC counting.

• **Clause (xvii) - Cash Losses:** Computations of cash losses incurred during the current and immediately preceding financial years.

• **Clause (xviii) - Auditor Resignation:** Review of issues, objections, and concerns raised by outgoing auditors in Form ADT-3, along with incoming auditor evaluation memos.

• **Clause (xix) - Financial Health & Going Concern:** Ratios, expected dates of realization of financial assets, payment of financial liabilities, board plans, and evaluation of material uncertainty on going concern over the next 12 months.

• **Clause (xx) - Corporate Social Responsibility (CSR):** Computations of average net profit under Section 135, unspent CSR fund transfers to specified funds, and tracking of ongoing CSR project bank accounts.

• **Clause (xxi) - Consolidated Qualifications:** Tracking and compiling qualification remarks in CARO reports of group companies included in consolidated financial statements.

8. REGULATORY SCRUTINY, NFRA OBSERVATIONS, AND CONSEQUENCES OF LAPSES

8.1 The Regulatory Paradigm and NFRA Oversight

The establishment of the National Financial Reporting Authority (NFRA) under Section 132 of the Companies Act, 2013 has fundamentally transformed audit oversight in India. The NFRA Chairperson and inspection teams have repeatedly emphasized that an audit is only as credible as its underlying documentation. NFRA enforcement orders have systematically penalized audit firms and engagement partners where audit files lacked evidence of independent testing, critical inquiry, or supervisory review.

8.2 Common Documentation Deficiencies Identified in Regulatory Orders

A review of regulatory orders reveals recurring, critical documentation deficiencies:

• **Uncritical Acceptance of Client Data:** Treating client-prepared spreadsheets, schedules, and estimates as self-evident audit evidence without performing independent verification, source document tracing, or recalculation.

• **Missing Linkage between Risk Assessment and Audit Response:** Maintaining generic, boilerplate audit programs that show no connection to the entity-specific risks of material misstatement identified under SA 315, and failing to document responsive substantive testing under SA 330.

• **Inadequate Sampling Documentation:** Failing to record sample selection parameters, sample sizes, selection criteria, or the evaluation of anomalies, in violation of SA 530.

• **Absence of Contemporaneous Review Trails:** Failing to record who performed specific audit steps, who reviewed the work, and the exact dates of completion and review, resulting in backdated or unverified working papers.

• **Failure to Challenge Management Estimates:** Accepting management valuations of goodwill, fair value of unquoted investments, and ECL provisions without documenting independent critical evaluation or sensitivity analyses.

• **Post-Report Creation and Alteration:** Creating, modifying, or inserting working papers into the audit file after the audit report has been issued—a serious violation that destroys the integrity of the audit file and invites regulatory debarment.

8.3 Consequences of Inadequate Audit Documentation

The legal, professional, and disciplinary consequences of failing to maintain robust audit documentation are severe:

• **Professional Misconduct:** Disciplinary action by the ICAI Disciplinary Directorate under the First and Second Schedules of the Chartered Accountants Act, 1949, leading to reprimands, fines, or cancellation of Certificate of Practice (COP).

• **NFRA Penalties and Debarment:** Monetary penalties running into millions of rupees and debarment of audit firms and individual engagement partners from performing audits for periods ranging from six months to ten years under Section 132(4).

• **Civil and Criminal Liability:** Exposure to damages, shareholder class-action suits, and criminal prosecution under Section 447 (fraud) and Section 448 (false statement) of the Companies Act, 2013.

9. MODERN BEST PRACTICES FOR DESIGNING AND MAINTAINING AUDIT DOCUMENTATION

To establish an unassailable audit file that satisfies all professional standards and withstands rigorous regulatory inspection, audit firms should institutionalize the following best practices:

• 1. **Enforce Contemporaneous Documentation:** Mandate that engagement teams record audit procedures, inquiries, observations, and initial conclusions on the day they are performed, eliminating retrospective file assembly.

• 2. **Comprehensive Standalone Workpapers:** Every workpaper must be self-explanatory, containing a clear objective, scope, sample details, methodology, detailed findings, standardized tick-mark legends, and unambiguous conclusions.

• 3. **Rigorous Verification of PBC Materials:** When utilizing 'Provided by Client' (PBC) schedules, annotate and document the procedures performed to test their accuracy, completeness, and underlying source records.

• 4. **Detailed Dispute and Anomaly Resolution:** Whenever an exception, audit query, or internal control breakdown is discovered, document the entire resolution trail: the initial finding, management explanation, corroborative verification, and final audit disposition.

• 5. **Timely Review and Sign-Off:** Ensure Engagement Partners, Managers, and EQCR reviewers execute timely, dated sign-offs across all key audit areas prior to signing the audit report.

• 6. **Electronic Document Security & Audit Trail:** Utilize specialized audit software that enforces immutable, timestamped audit trails, prevents post-assembly document modification, and maintains automated version control.

10. CONCLUSION

Audit documentation is the definitive proof of an auditor's professional competence, diligence, skepticism, and integrity. As the auditing profession navigates complex financial instruments, evolving accounting standards, and intense regulatory oversight, meticulous documentation under SA 230 is the auditor's strongest protection and highest professional duty.

To construct an audit without thorough, orderly documentation is akin to constructing a magnificent building with no foundation and neglecting the essential finishing work: what might appear impressive from a distance will inevitably collapse upon rigorous inspection. By adhering strictly to SA 230, maintaining rigorous segregation between Permanent and Current Audit Files, systematically addressing Schedule III and CARO requirements, and respecting statutory assembly and retention timelines, auditors uphold the public trust and safeguard the integrity of the capital markets.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
THRISSUR BRANCH OF SIRC

MONTHLY ACTIVITY REPORT - AUGUST 2026

I. Administrative Activities

1. Continuing Professional Education (CPE) Programme

Date	Programme Title	Faculty	CPE Hours	Attendance
18 August 2026	One-Day Seminar on "Tax Audit – 2026 Perspective & New Income Tax Act"	CA. Cotha S. Srinivas, Bengaluru; CA. (Dr.) Girish Ahuja, Delhi	6	171

2. Administrative Meeting

Date	Meeting	Venue
01 August 2026	Managing Committee Meeting	ICAI Bhawan, Thrissur

3. Additional Programmes and Activities

Date	Programme / Activity	Details	Venue
07 & 08 August 2026	SIRC Regional Conference	Managing Committee members and members of ICAI Thrissur Branch participated in the two-day regional conference. Approximately 100 participants from the Branch attended.	CK Conventions, Guntur, Andhra Pradesh
15 August 2026	Independence Day Celebrations 2026	The Chairman hoisted the National Flag at the Branch premises and addressed the gathering of members and students. Approximately 300 participants attended.	ICAI Bhawan, Thrissur

II. Academic Activities

1. Coaching Classes

The Branch continued its academic initiatives through regular coaching classes for students appearing for various CA examinations.

Course / Batch	Number of Students
CA Intermediate – January 2027	93
CA Foundation – January 2027	126
CA Intermediate – May 2027	152
CA Final – November 2026	64
Total	**435**

III. Conclusion

The ICAI Thrissur Branch (SIRC) successfully conducted various professional, academic, administrative, and member-engagement activities during August 2026, including the CPE Seminar on "Tax Audit – 2026 Perspective & New Income Tax Act", participation in the SIRC Regional Conference, Independence Day celebrations, and coaching programmes.

The Branch provided academic support to 435 students during the month and received active participation from members and students across its programmes.

The Branch sincerely appreciates the valuable support and participation of its faculties, members, students, Managing Committee members, and staff and remains committed to promoting professional excellence, continuous learning, and academic development.

Thank you

Glimpses

AUGUST 26



One-Day Seminar on "Tax Audit 2026: Current Perspectives & The New Income Tax Act" on 18 August 2026, with 171 members in attendance. CA. Cotha S. Srinivas, Bengaluru, and CA. (Dr.) Girish Ahuja, Delhi, shared valuable practical insights on tax audit developments and the New Income Tax Act, making the programme a highly enriching learning experience.



We celebrated Independence Day 2026 on 15 August 2026 at ICAI Bhawan.
The Chairman hoisted the National Flag and addressed the gathering of members and students.
The celebration witnessed enthusiastic participation from approximately 300 members and students.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(SET UP BY AN ACT OF PARLIAMENT)
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