BHUBANESWAR BRANCH OF EASTERN INDIA REGIONAL COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

e-newsletter/11/2025-26

FEBRUARY 2026

ICAI

E-NEWSLETTER

Editorial

Dear Esteemed Members,

February 2026 was a truly enriching and eventful month, marked by a series of insightful sessions, engaging discussions, and well-organized programs that witnessed enthusiastic participation from both members and students. The success of these initiatives reflects the collective spirit of our fraternity, and I sincerely appreciate the unwavering support and active involvement extended by all of you.

It is indeed a great honor and privilege for me to assume the Chairmanship of the ICAI Bhubaneswar Branch with effect from February 19, 2026. I accept this responsibility with deep gratitude and a strong commitment to serve our professional community with dedication, integrity, and a forward-looking vision. With your continued encouragement and cooperation, we aspire to introduce meaningful initiatives that promote knowledge sharing, professional development, and stronger collaboration within our fraternity.

As we step into **March 2026**, we look forward to an exciting schedule of knowledge-driven programs, interactive sessions, and professional development initiatives. I encourage all members and students to actively participate in these upcoming events. The details of these programs are outlined in this newsletter, and I invite you to stay updated with all our activities through our branch website: www.bhubaneswar-icai.org.

Your engagement and participation remain our greatest source of motivation. They inspire us to continuously design impactful programs that contribute to the advancement of the Chartered Accountancy profession and the professional growth of our members and students.
I extend my heartfelt appreciation to all the dedicated members whose relentless efforts and valuable contributions continue to guide our branch toward new milestones. Together, let us strive to build a lasting legacy of excellence, innovation, and collective progress.

Wishing each one of you a productive, successful, and fulfilling month ahead.

Warm regards,

CA (Dr.) Goutam Lenka

Chairman, ICAI Bhubaneswar Branch

EDITORIAL BOARD

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Members area of Interest

Observations related to SA 315, Identifying and Assessing the Risks of Material Misstatement through understanding the Entity and its Environment

Observation 5:

Documentation detailing review of IT controls for both general application and automated controls as regards their design and implementation was not found. Documentation for understanding IT controls system must be maintained.

What is the issue?	AASB Suggested Guidance	Technical Literature
Whether understanding of entity's IT environment is critical in audit of financial statements?	The understanding of the role of information technology (IT) and its use by an entity is important to performing an effective audit because the entity's use of IT affects how the information relevant to the financial statements is input, processed, maintained and reported. Therefore, the entity's use of IT affects the overall audit strategy, risk assessment and the design of audit procedures. The audit firm's understanding of the IT environment includes understanding how the entity's business model integrates the use of IT and how the components of the system of internal control at the entity level address the IT environment. In obtaining this understanding, an audit firm considers the aspects prescribed in paragraph 18 of SA 315.	**Para 18 of SA 315:** The auditor shall obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including the following areas: (a) The classes of transactions in the entity's operations that are significant to the financial statements; (b) The procedures, within both information technology (IT) and manual systems, by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements; (c) The related accounting records, supporting information and specific accounts in the financial statements that are used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information is transferred to the general ledger. The records may be in either manual or electronic form; (d) How the information system captures events and conditions, other than transactions, that are significant to the financial statements; (e) The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures;

<table>
<tr><td></td><td></td><td>(f) Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments. (Ref: Para. A88-A92)

Para 19 of SA 315:

The auditor shall obtain an understanding of how the entity communicates financial reporting roles and responsibilities and significant matters relating to financial reporting, including:

(a) Communications between management and those charged with governance; and

(b) External communications, such as those with regulatory authorities. (Ref: Para. A93-A94)

Para 20 of SA 315:

The auditor shall obtain an understanding of control activities relevant to the audit, being those the auditor judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks. An audit requires an understanding of only those control activities related to significant class of transactions, account balance, and disclosure in the financial statements and the assertions which the auditor finds relevant in his risk assessment process. (Ref: Para. A95-A101)

Para 21 of SA 315:

In understanding the entity’s control activities, the auditor shall obtain an understanding of how the entity has responded to risks arising from IT. (Ref: Para. A102-A104)</td></tr>
<tr><td>Is documentation necessary with respect to understanding of internal controls of the entity?</td><td>As per SA 315, the auditor should document the key elements of understanding obtained regarding each of the five components of internal controls i.e.:
• Control environment.
• The entity’s risk assessment process.
• Information systems, including the related business processes, relevant to financial reporting, and communication.
• Control activities relevant to the audit.
• Monitoring of controls.</td><td>Para 32 of SA 315:

The auditor shall document:

(a) The discussion among the engagement team where required by paragraph 10, and the significant decisions reached;

(b) Key elements of the understanding obtained regarding each of the aspects of the entity and its environment specified in paragraph 11 and of each of the internal control components specified in paragraphs 14-24; the sources of information from which the understanding was obtained; and the risk assessment procedures performed;</td></tr>
</table>

	The auditor is also required to document the sources of information from which such understanding was obtained.	(c) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 25; and (d) The risks identified, and related controls about which the auditor has obtained an understanding, as a result of the requirements in paragraphs 27- 30. (Ref: Para. A143-A146)

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Audit Evidences: An Analysis

Audit evidence is all the information, whether obtained from audit procedures or other sources, that is used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence consists of both information that supports and corroborates management's assertions regarding the financial statements or internal control over financial reporting and information that contradicts such assertions.

Audit evidence must be sufficient and appropriate. Sufficiency signifies the quantity and appropriateness refers to quality of the evidence. In other words sufficiency is decided by the risk associated with the control system and appropriateness is judged by the relevance and reliability of the evidence.

Audit evidence are aimed to prove or disprove the audit assertions made in the financial statements. Various elements (Assets, Liability, Income and Expenditure) of Financial Statements signify following assertions in respect of them:-

1. **Existence** : the existence verifies that asset, liability and equity exist in the same manner as they are specified by the financial statements. For Example, if balance sheet is showing Inventory @ Rs. 15,00,000 then there is first and foremost assertion in that respect is – Inventory of Rs. 15,00,000 exist.

2. **Occurrence** : It determines transaction recorded in financial statements have actually taken place. Example : if Financial Statements shows a sale of Rs. 50,00,000 then this assertion specify that transactions of Sales of Rs. 50,00,000 has actually occurred.

3. **Accuracy** : This is assertion as to the recording of correct amount in the financial statements. Example : Customer account is looked and checked with an intention to find that all transaction in his account including payments are recoded correctly and Account is showing accurate balance.

4. **Completeness** : This assertion depicts that all the transactions occurred during the financial period are completely recorded. Example : if it has to be established that all salaries and wages arises during the period are recoded completely. For the said purpose Payroll records, Payroll Journal and Active Employee List are to be referred.

5. **Valuation** : This assertion signify that all elements of financial statements are truly valued and presented. Example : Receivable must be shown at their realizable value. If any receivable is being shown without allowing probable allowance of Bad Debts then certainly receivables are not perfectly valued.

6. **Rights and Obligation** : This assertion speaks about the ownership of Asset, Liability and Equity of the business. It signify that Assets are rights of the business and Liabilities are the obligation of the business. Example : if Expenditure is incurred by the business on behalf of owner, it is not business expenditure.

7. **Classification** : This assertion says that Statements are presented in acceptable format, include all necessary information and easy to understand. Example : Interest payable and account payable must be shown separately as per the approved format of balance sheet.

8. **Cut Off :** This assertion determines whether the transactions recorded have been recorded in appropriate accounting period. Example : Prior Period, Outstanding and Prepaid are to be recorded.

Different authors and scholars have classified Audit Evidences in their own way,. Professor Jim Crockett have also specified different Types of Audit Evidences as follows :-

1. **Physical Evidence**: He says such evidence are evidences produced by Auditors' senses i.e. Evidence obtained from seeing, Touching, Hearing, Smelling or Tasting. **Audit evidences is anything that causes an Auditor to get closer to knowing that assertions are true**. For some assets it is very important audit evidence Like Stock and Fixed Assets. Through this evidence qualitative assurance as to stock is also obtained.

2. **Arithmetical Evidence**: Such evidence are produced by the auditors by performance of Arithmetical Calculations. Auditors normally computes how the value of inventory arrived and how gratuity and pension liabilities are recognized in balance sheet. The first step in this direction is to make sure that data and assumptions used by the preparer are appropriate, secondly auditor themselves calculates the value of financial statement items from the data and Lastly they compare those figures with the figures of balance sheet. Example : in a contractual liability plaintiff may value at Rs. 4.00 crore and defendant may value at 350 crores. In such cases auditors should find sufficient appropriate audit evidence and value that liability at a reasonable level.

3. **Analytical Evidence** : Analytical evidence is based on postulate **" In the absence of clear evidence to the contrary, what has held true in the past for the enterprise under examination will hold true in the future."** Example : If business has expended Rs. 15000, 17000 and 14000 for Audit in last three years than it is expected to be reasonable if it expends around Rs. 15000 in the current year. Analytical evidence themselves has only persuasive vale and not conclusive value. The analytical evidence simply signify that figures appearing does not seems to be reasonable and therefore substantial evidence is needed for acceptance or rejection of audit assertion in respect of those elements of financial statements.
   In our example if audit expense during the current year are shown as Rs. 14,500 then auditor can be satisfied with the less or less weighty evidence.

4. **Testimonial Evidence** : Auditor converse with people and secure answers to their query and from them auditor draw conclusions. Such oral evidences are lest weighty type of audit evidence, it normally needs to be corroborated by one or more other type of audit evidences. The success of Oral evidence depends on " asking right question to the right person in proper language (Tone)". What has to be asked ? requires home work and plan on the part of auditor. Right person is one who is reliable, honest and who has by virtue of his position has knowledge and authority to answer the question. Right language depends how words and phrases are understood commercially.

5. **Documentary Evidence:** Documentary evidences are developed by the auditors as they examine documents. One main source documentary evidence is the entity's accounting information system. Some time reports generated by Management Information system also plays a crucial role while conducting audit. There can be 4 type of documentary evidences, which have various level of quality :

   Documents that are produced and retained by the entity: Such type of evidences are subject to various Internal Controls laid within the organization. Value and weight that can be assigned to these documents depends on the quality of Internal control system prevailing in the organization to which these documents are subject. The better the design and functioning of the control system the higher the quality of the documentary evidence it produces. Example are Vouchers, Payroll, Purchase requisitions, Purchase orders placed by the entity and various reports generated for use of management. These type of evidences can be easily manipulated.

   Documents produced by the entity and circulated outside the entity, returned back to the entity and form part of record : These documents may have marking of the external party indicating their agreement with what is recorded on the documents. Marking by external party is called "Cleansing". It is somewhat difficult to fabricate such evidences. The classic example of such documents is Dishonored Cheques.
   Documents produced by the external party and retained into the entity's system: These documents are considered to be of a higher quality, here it is to be understood that these documents are also subject to entity's control system once they enter the system. Here also the value and weight is substantially affected by the organization's laid internal control system. Example of such evidences are Purchase Order received from external entities, Invoices etc.

   Documents produced by the third party directly to the Auditor: Such type of audit evidences never enters the system of the Auditee. Such type of documents have highest vale and weight. Superiority of such documents is due to reliability and integrity associated with them. Example of such evidences are Receivable confirmation and Bank Balance confirmation.

   Documenting Oral Audit evidence: Questionnaire, Flow charts, Representation and electronic records are some of the ways how oral evidences can be documented. Electronic records may not be retrievable after a certain period of time if the information is not backed up.
   Last but not the least documentation of Audit Plan, Procedure and Work Progress report are also comes with in this category.

Audit Evidence Vs. Audit Procedures

In Audit literature Audit Procedures/ Tests/ Techniques are normally misunderstood as Audit Evidences.
Audit techniques (Procedure & Tests) are normally employed to produce Evidences and are not evidence itself. On the other hand Audit evidence is some thing which influence auditor's mind in respect of assertions. Audit procedure and test are done with an intention to produce the influence over views of the auditor.
Most common texts perceive Physical Examination, Confirmation, Documentation, Analytical Procedure, and Inquires, recalculation, re-performance and observation as audit evidence. Actually these are techniques to generate audit evidence.

Union Budget 2026-27: Driving Growth with Fiscal Discipline and Structural Reforms

The Union Budget 2026–27 presents a comprehensive roadmap aimed at sustaining economic growth, strengthening infrastructure, and fostering inclusive development. The budget emphasizes fiscal prudence, technological advancement, and investment in key sectors such as manufacturing, infrastructure, and MSMEs to support India's long-term economic vision.

Fiscal Position and Macroeconomic Outlook

The total expenditure for the financial year 2026–27 is estimated at approximately ₹53.47 lakh crore, reflecting the government's continued focus on public investment and development initiatives. Capital expenditure has been significantly increased to about ₹12.2 lakh crore, highlighting the government's strategy of infrastructure-led economic growth.

The fiscal deficit for FY 2026–27 is targeted at **4.3% of GDP**, demonstrating the government's commitment to fiscal consolidation while maintaining growth-oriented spending. The government also projects nominal GDP growth of around **10.1%**, reflecting optimism about India's economic resilience and growth trajectory.

Infrastructure and Connectivity

Infrastructure development remains a key priority in the budget. Significant investments have been proposed in railways, highways, logistics networks, and waterways to enhance connectivity and reduce transportation costs. The government has also proposed the development of new national waterways and dedicated freight corridors to improve logistics efficiency and strengthen supply chains across the country.

Such investments are expected to generate employment, boost industrial productivity, and facilitate balanced regional development.

Strengthening Manufacturing and Technology

To enhance India's global competitiveness, the budget emphasizes domestic manufacturing and advanced technology development. Initiatives such as **India Semiconductor Mission 2.0**, expansion of electronics manufacturing, and development of rare-earth mineral corridors aim to reduce import dependence and strengthen supply chains in critical sectors.

The government has also announced schemes to promote capital goods manufacturing, container production, and textile sector modernization, which are expected to increase exports and generate large-scale employment opportunities.

Support for MSMEs and Entrepreneurship

Recognizing MSMEs as a vital engine of economic growth, the budget introduces a **₹10,000 crore SME Growth Fund** to improve access to equity financing. In addition, measures such as expanded credit facilities, improved receivables financing through digital platforms, and professional support systems aim to strengthen the MSME ecosystem and encourage entrepreneurship.

These initiatives are expected to enable small businesses to scale up operations and integrate into global supply chains.

Agriculture and Rural Development

The budget also focuses on enhancing farmers' incomes and strengthening rural livelihoods. Various initiatives have been proposed for fisheries development, high-value agriculture, and digital advisory services to improve farm productivity. Support for rural industries and village enterprises is expected to promote inclusive growth and reduce regional disparities.

Tax Reforms and Ease of Compliance

The budget introduces several reforms aimed at simplifying the tax regime and improving compliance. The implementation of the **Income Tax Act, 2025** from April 2026 is expected to modernize tax administration and make compliance more user-friendly. Additional measures such as reduced TCS rates for certain overseas remittances and extended timelines for filing revised returns further aim to ease compliance for taxpayers.

Conclusion

Overall, the Union Budget 2026–27 reflects a balanced approach that combines fiscal discipline with growth-oriented investments. By prioritizing infrastructure development, manufacturing expansion, technological innovation, and support for MSMEs, the budget lays a strong foundation for sustainable economic growth. Effective implementation of these measures will play a crucial role in achieving the nation's long-term development goals and strengthening India's position in the global economy.

You may refer to the detailed provisions of the Union Budget 2026–27 available on the official website: https://www.indiabudget.gov.in/doc/bh1.pdf.

ON THE LIGHTER SIDE OF LIFE

Now have a laugh at our expense...

"A Chartered Accountant's favourite exercise is running… mostly after clients for documents before the filing deadline!"

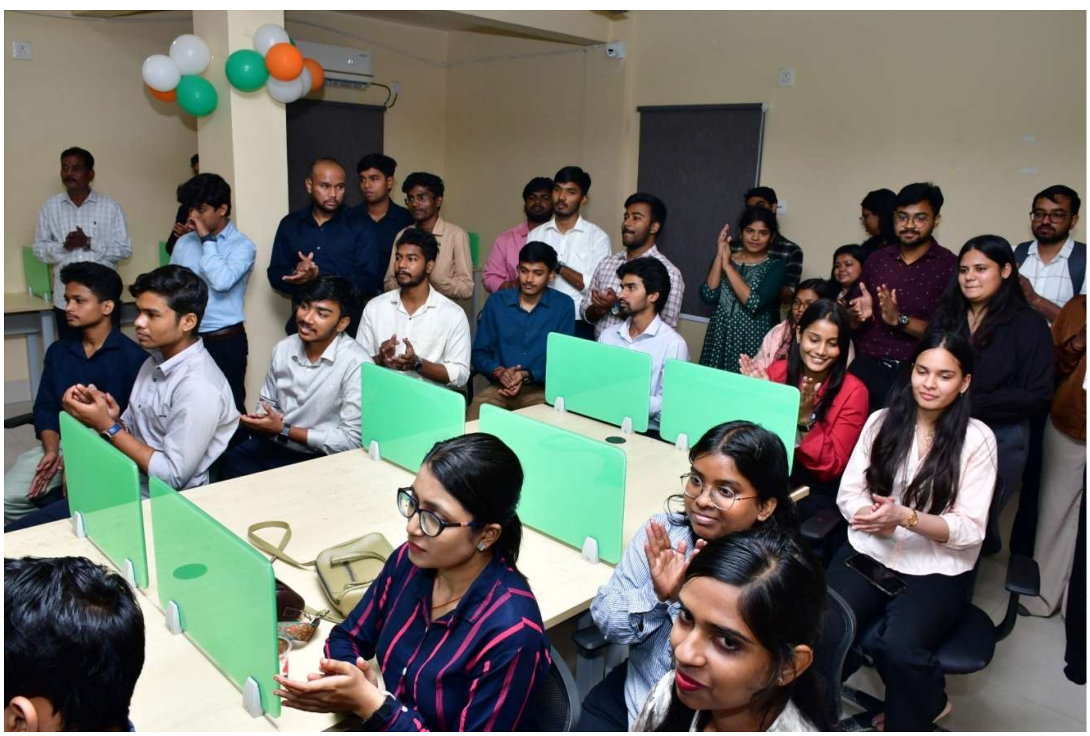
Source: Anonymous

Glimpses of Events

"NATIONAL SUMMIT ON EMERGING TAX REFORMS AND GLOBAL PRACTICES"

“GLIMPSES OF STUDY CIRCLE MEETING ON CAG EMPANELMENT: NEW POLICIES AND KEY CHANGES”

"LIBRARY INAGURATION AT JATNI"



WELCOME OUR NEW CHAIRMAN

ICAI BHUBANESWAR BRANCH

CA (DR.) GOUTAM LENKA