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

e-newsletter/12/2025-26

MARCH 2026

ICAI

E-NEWSLETTER

EDITORIAL

Dear Esteemed Members,

March 2026 has been a highly productive and rewarding period for our branch, characterized by a series of insightful sessions, meaningful deliberations, and well-coordinated programs. These initiatives received enthusiastic participation from both members and students, reflecting the strong sense of unity and commitment within our professional community. I extend my sincere appreciation to each one of you for your continued support and active engagement.

As the Chairman of the ICAI Bhubaneswar Branch, I take the responsibility to serve our fraternity with integrity, dedication, and a progressive outlook. With your continued cooperation, we aim to introduce impactful initiatives that foster knowledge enhancement, professional excellence, and greater collaboration among members.

As we enter **April 2026**, marking the commencement of the financial year 2026–27, we look forward to an engaging calendar of knowledge-oriented programs, interactive forums, and professional development initiatives. I encourage all members and students to actively participate and derive maximum benefit from these opportunities. Detailed information regarding these programs is available in this newsletter, and I also invite you to stay connected through our official website: www.bhubaneswar-icai.org.

I also take this opportunity to acknowledge and appreciate the unwavering efforts and valuable contributions of our dedicated members, whose commitment continues to steer the branch toward greater achievements. Together, let us endeavor to build a legacy defined by excellence, innovation, and collective progress. Wishing you all a successful, productive, and fulfilling month ahead.

Warm regards,

CA (Dr.) Goutam Lenka

Chairman, ICAI Bhubaneswar Branch

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Members' area of Interest

Observations related to SA 330, The Auditor's Responses to Assessed Risks.

Observation 1:

Procedures performed have not been linked to material class of transaction, account balance and disclosures and the risk of material misstatements. The working papers where substantive testing was performed, were not cross-referenced to the groupings/trial balance with reference numbers in all cases. Further, there was no evidence of referencing/cross-referencing the financial statements to the trial balance.

What is the issue?	AASB Suggested Guidance	Technical Literature
What audit procedures are required to be performed w.r.t. each material class of transaction, account balances and disclosures?	As per SA 330, the auditor's assessed risks may affect both the types of audit procedures to be performed and their combination. For example, when an assessed risk is high, the auditor may confirm the completeness of the terms of a contract with the counterparty, in addition to inspecting the document. Further, certain audit procedures may be more appropriate for some assertions than others. For example, in relation to revenue, tests of controls may be most responsive to the assessed risk of misstatement of the completeness assertion, whereas substantive procedures may be most responsive to the assessed risk of misstatement of the occurrence assertion. In addition, certain audit procedures can be performed only at or after the period end, for example: • Agreeing the financial statements to the accounting records; • Examining adjustments made during the course of preparing the financial statements; and • Procedures to respond to a risk that, at the period end, the entity may have entered into improper sales contracts, or transactions may not have been finalised.	**Para 3 of SA 330:** The objective of the auditor is to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement, through designing and implementing appropriate responses to those risks. **Para 5 of SA 330:** The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level. (Ref: Para. A1-A3) **Para 6 of SA 330:** The auditor shall design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level. (Ref: Para. A4-A8) including significant accounting estimates and disclosures; **Para 7 of SA 330:** In designing the further audit procedures to be performed, the auditor shall: (a) Consider the reasons for the assessment given to the risk of material misstatement at the assertion level for each class of transactions, account balance, and disclosure, including: (i) The likelihood of material misstatement due to the particular characteristics of the relevant class of transactions, account balance, or disclosure (i.e., the inherent risk); and

	SA 330 requires the auditor to design and perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement. This requirement reflects the facts that: (i) the auditor's assessment of risk is judgmental and so may not identify all risks of material misstatement; and (ii) there are inherent limitations to internal control, including management override.	(ii) Whether the risk assessment considers the relevant controls (i.e., the control risk), thereby requiring the auditor to obtain audit evidence to determine whether the controls are operating effectively (i.e., the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); and (Ref: Para. A9-A18) (b) Obtain more persuasive audit evidence the higher the auditor's assessment of risk. (Ref: Para. A19)
		Para 18 of SA 330: Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure. (Ref: Para. A42-A47) **Para 20 of SA 330:** The auditor's substantive procedures shall include the following audit procedures related to the financial statement closing process: (a) Agreeing or reconciling the financial statements with the underlying accounting records; and (b) Examining material journal entries and other adjustments made during the course of preparing the financial statements. (Ref: Para. A52) **Para 21 of SA 330:** When the auditor has determined that an assessed risk of material misstatement at the assertion level is a significant risk, the auditor shall perform substantive procedures that are specifically responsive to that risk. When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details. (Ref: Para. A53) **Para 25 of SA 330:** Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate before the conclusion of the audit whether the assessments of the risks of material misstatement at the assertion level remain appropriate. (Ref: Para. A60-A61)
When should an	SA 330 requires an audit firm to design	**Para 26 of SA 330:**

audit firm decide to test controls?	audit strategy to respond to the identified risks of material misstatement. Designing audit strategy includes a decision on whether the audit firm will be following a controls reliance strategy or substantive procedures only strategy as stated in SA 330. When use of a control's reliance strategy is planned, the audit firm should design and execute tests of the relevant controls and conclude whether relevant controls are properly designed and operated effectively throughout the audit	The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements. (Ref: Para. A62) **Para 27 of SA 330:** If the auditor has not obtained sufficient appropriate audit evidence as to a material financial statement assertion, the auditor shall attempt to obtain further audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or a disclaimer of opinion. **Para 28 of SA 330:** The auditor shall document: (a) The overall responses to address the assessed risks of material misstatement at the financial statement level, and the nature, timing and extent of the further audit procedures performed; (b) The linkage of those procedures with the assessed risks at the assertion level; and (c) The results of the audit procedures, including the conclusions where these are not otherwise clear. (Ref: Para. A63) **Para 29 of SA 330:** If the auditor plans to use audit evidences about the operating effectiveness of controls obtained in previous audits, the auditor shall document the conclusions reached about relying on such controls that were tested in a previous audit. **Para 30 of SA 330:** The auditors' documentation shall demonstrate that the financial statements agree or reconcile with the underlying accounting records.

Audit Documentation: SA 230

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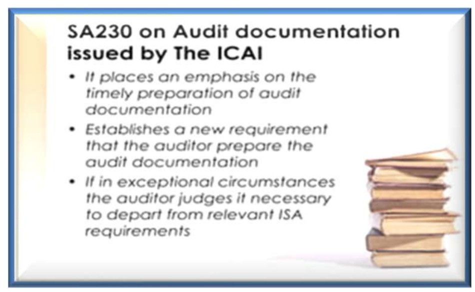
"The auditor should document matters which are important in providing evidence that –the audit was carried out in accordance with the basic principles of Auditing, Laws applicable to the entity and conclusion as to achievement of overall audit objectives."

Definition As per SA 230 "Audit Documentation is the record of audit procedures performed, relevant audit evidences obtained and conclusions the auditor reached (terms such as "Working Papers" or "Work papers" are also sometimes used.

Documentation refers to the working papers prepared or obtained by the auditor and retained by him, in connection with the performance of his audit. Working papers (Documents) may be related with

a. Aid in the planning and performance of the audit,
b. Aid in the supervision and review of the audit work and
c. provides evidence of the audit work performed to support the auditor's opinion.



Working papers must record a. audit plan and nature, timing and extent of procedures performed and b. Must also record conclusions drawn from the evidence obtained during the conduct of audit. The form and content of working papers are affected by matters such as:

a. Nature of the engagement (Concurrent, Internal or Statutory),
b. Format of Audit report (Conclusions out of Audit),
c. Nature and Complexities of the client's business,
d. Nature and Condition of the client's records and the degree of reliance on internal controls and finally
e. The need of direction, supervision and review of work performed by the assistants.

To choose one out of several working papers available is a matter of facts and circumstances. Extant of documentation is a matter of professional judgement since it is neither necessary nor practical that every observation, consideration or conclusion is documented by the auditor in his working papers. All significant matters which requires the exercise of judgment together with the auditor's conclusion thereon, should be included in the working papers. To improve audit efficiency, the auditor normally obtains and utilizes schedules, analyses and other working papers prepared by the client. In such circumstances, the auditor should satisfy himself that these working papers have been properly prepared. Example of such working papers re detailed analysis of important account receivables etc.

In case of recurring audits working paper, files may be classified as permanent audit files (Which are updated periodically with information of continuing importance) and current audit files (which contain information relating to the audit of a single period.

Legal Position as to ownership of Working Papers:

- Working Papers are the property of the auditor. The auditor may, at his discretion, make portions of or extracts from his working papers available to his client.
- The auditor should adopt reasonable procedures for custody and confidentiality of his working papers and should retain them for a period of time sufficient to meet the needs of his practices and satisfy any pertinent legal or professional requirements of record retention

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Some Important matter related to the documentation:

1. The audit file containing all the documentation should be assembled and completed within 60 days after the date of Audit Report.
2. The retention period for Audit File is 7 years and the Auditor should not delete or discard any documentation before the end of its retention period.

3. The duplicate, discarded or superseded documentation need not be retained.
4. Numbering and cross referencing of Audit documentation – is essential.

It has been a sad story of the profession that Audit may be conducted rigorously, but not much attention is paid to documentation and the disclosures. This is quite evident from the speech of NFRA Chairperson. The documentation collected and prepared is many times haphazard without having any sequence or without understanding the consequences. To give smile, we construct the house but to do not take efforts to do the finishing work – Everything will look in shambles rather than having a neat and clean image of the work done.

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

--- Robert H. Montgomery

ON THE LIGHTER SIDE OF LIFE

Now have a laugh at our expense...

Client: "Can you help me save tax?"
CA: "Of course!"
Client: "Great, I haven't maintained any records."
CA: "…Then let me also help you save *time*—next year, please!" 😄

Source: Anonymous

Income Tax Act, 2025 –
A Paradigm Shift in India's Direct Tax Framework

The proposed Income Tax Act, 2025 represents a landmark reform in India's direct taxation system, aiming to replace the existing Income-tax Act, 1961 with a more concise, transparent, and taxpayer-friendly framework. This reform reflects the Government's commitment to fostering ease of compliance, reducing litigation, and aligning tax administration with global best practices.

1. Rationale Behind the New Legislation

The Income-tax Act, 1961, though robust in its foundation, has evolved into a complex statute over the years due to numerous amendments, provisos, and explanations. This has often resulted in interpretational challenges and increased compliance burdens.

The Income Tax Act, 2025 seeks to address these concerns by:

- Eliminating redundant provisions
- Streamlining the legislative structure
- Using clearer and simpler language
- Reducing dependence on frequent amendments

2. Key Structural Changes: A Comparative Perspective

Particulars	**Income-tax Act, 1961**	**Income Tax Act, 2025**
Length & Complexity	Lengthy and amendment-heavy	Concise and systematically structured
Language	Legalistic and complex	Simple, clear, and reader-friendly
Sections & Organization	Fragmented provisions	Logical grouping and better flow
Exemptions/Deductions	Multiple, overlapping provisions	Rationalized and minimized
Litigation Scope	High due to ambiguity	Reduced through clarity

The emphasis is clearly on **substance over form**, enabling professionals and taxpayers to interpret provisions with greater ease.

3. Rationalization of Deductions and Exemptions

A notable shift under the new regime is the movement towards **lower tax rates with fewer exemptions**. This is expected to:

- Broaden the tax base
- Improve transparency in income reporting
- Reduce tax planning complexities
- Encourage voluntary compliance

While this may initially require recalibration of tax planning strategies, it ultimately promotes a cleaner and more efficient tax system.

4. Technology-Driven Tax Administration

The Act builds upon the Government's digitalization initiatives by strengthening:

- **Faceless Assessments and Appeals**
- **Automated Processing Systems**
- **Data Analytics for Compliance Monitoring**

This transition minimizes human interface, thereby enhancing objectivity, accountability, and efficiency in tax administration.

5. Implications for Chartered Accountants

The transition to the Income Tax Act, 2025 presents a significant opportunity for members of the profession:

- **Knowledge Transition:** To thoroughly understand the new framework
- **Advisory Role Enhancement:** Shift from compliance to strategic advisory services
- **Technology Adaptation:** Increased reliance on digital tools and analytics
- **Client Education:** Guiding clients through transition and planning adjustments

Chartered Accountants will play a crucial role in ensuring a smooth transition and effective implementation of the new regime.

6. Practical Considerations During Transition

Members may need to proactively address:

- Comparative analysis of old vs new provisions
- Impact on ongoing assessments and pending litigations
- Revision of tax planning strategies for clients
- Updating internal compliance systems and documentation

7. The Road Ahead

The success of the Income Tax Act, 2025 will depend not only on its legislative strength but also on its execution. Continuous engagement between the Government, professional bodies, and stakeholders will be essential to address practical challenges and ensure seamless implementation.

Conclusion

The Income Tax Act, 2025 is a forward-looking reform that seeks to transform India's tax ecosystem into one that is simpler, more transparent, and globally aligned. While the transition phase may present certain challenges, it also offers an opportunity for professionals to redefine their role and contribute meaningfully to a more efficient tax regime.

Glimpses of Events

"PEER REVIEWER TRAINING PROGRAM IN THE PRESENCE OF CA PURUSOTTAMLAL H. KHANDELWAL (CHAIRMAN, PEER REVIEW BOARD, ICAI)"

"CA CONFERENCE ON PRATICAL ASPECTS & CHALLENGES IN BANK AUDIT"

"INTERACTION OF MANAGING COMMITTEE MEMBERS OF BHUBANESWAR BRANCH AND COUNCIL MEMBERS OF ICAI DURING FELICITATION PROGRAMME OF EIRC"

"BHUBANESWAR BRANCH MC MEMBERS AT EIRC FELICITATION PROGRAMME"

"INTERNATIONAL WOMEN'S DAY CELEBRATION, 2026"

"GROUP PHOTOGRAPH ON INTERNATIONAL WOMEN'S DAY CELEBRATION, 2026"

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Organised by: **Women and Young Members Excellence Committee**

Hosted by: **Eastern India Regional Council**