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

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JANUARY 2026

ICAI

E-NEWSLETTER

Editorial

Dear Esteemed Members,

January 2026 marks the beginning of a dynamic and forward-looking phase for us all. It is a meaningful time to acknowledge our accomplishments, recalibrate our priorities, and advance with greater focus and confidence. The consistent encouragement and enthusiastic involvement of our members continue to inspire ICAI Bhubaneswar in achieving purposeful progress and sustained development.

Guided by a strong commitment to professional advancement, ICAI Bhubaneswar remains dedicated to enhancing member capabilities through insightful learning forums, exchange of contemporary practices, and upholding the highest benchmarks of integrity, competence, and accountability in the profession.

This month, we are delighted to present a comprehensive lineup of initiatives and engagements aimed at strengthening professional competence, promoting knowledge sharing, and nurturing collective growth. We invite every member to participate actively and stay updated through our official website: **www.bhubaneswar-icai.org**.

Together, let us continue to build a robust, adaptive, and future-oriented Chartered Accountancy fraternity- rooted in values, propelled by innovation, and committed to excellence.

Wishing you all a month filled with achievement and professional enrichment.

Warm regards,

CA. Mahendra Kumar Sahoo

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 4:

No documentation was found evidencing understanding of the internal controls and procedures of the entity. The internal controls of the entity must be studied to formulate an effective audit programme.

What is the issue?	AASB Suggested Guidance	Technical Literature
Why is it necessary to obtain an understanding of an entity's internal controls that are relevant to audit?	Understanding an entity and its environment is key to planning and executing an effective risk based audit. The understanding of the business helps in identifying risks of material misstatement in the financial statements. The understanding of the business, along with understanding of the system of internal control at the entity level and significant classes of transactions, also forms the primary source of information in fraud risk identification and assessment process as provided in SA 315. An audit firm should obtain understanding during audit planning and update it as a result of engagement team discussion and throughout the performance of the audit to the extent that changes affect the overall audit strategy or the nature, timing, and extent of audit procedures.	**Para 12 of SA 315:** The auditor shall obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the audit. (Ref: Para. A48-A71) **Please also refer Para 14-24 of SA 315 which deal with various components of internal controls.**
Is documentation necessary with respect to understanding of internal controls of the entity?	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	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

	business processes, relevant to financial reporting, and communication. • Control activities relevant to the audit. • Monitoring of controls. The auditor is also required to document the sources of information from which such understanding was obtained.	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; (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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Using the work of an Auditor's Expert – An Insight

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

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

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

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

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

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

ISA 620 (Using the work of an Auditor's Expert), says auditor's expert is: "An individual or organization possessing expertise in a field other than accounting or auditing, whose work in work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (Part of audit firm) or an auditor's external expert (hired from outside by auditor)'Auditors do need to employ their own expert in order to decrease the risk that material misstatement will not be detected. Even if an expert is employed by the auditor while using his work it should not be used as work done by auditor's assistant, rather it should be tested as work done by an expert.

Expert may be employed by auditor in following areas: -

- Valuation of certain type of assets – Land and buildings, Plat and Machinery, Jewellery, Work of Art, Antiques, Intangible Assets – Patents, trademarks etc., Environmental Liabilities, Site clean up costs.
- Determination of Quantities or physical condition of assets, for example – Minerals, Petroleum reserves, Gas reserves etc.

- Actuarial Calculation of liabilities like – Insurance Contracts and Employee Benefit Plans
- Measurement of work completed and to be completed on contract in progress for revenue recognition.
- Legal Opinion for – Interpretation of contracts, laws and regulations.
- Analysis of complex or unusual tax compliance issues.

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

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

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

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

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

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

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

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

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

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

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

- Discussion with another expert with relevant expertise
- Discussing with auditor's expert report with management

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

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

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

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

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

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ON THE LIGHTER SIDE OF LIFE

Now have a laugh at our expense…

“Balancing books by profession and balancing life by passion, a Chartered Accountant knows that while numbers must always tally, a little humour keeps the profession perfectly aligned.”

Source: Anonymous

Glimpses of Events

"REPUBLIC DAY CELEBRATION"

“DISCUSSION ON SAY NO TO PLASTIC”

"SEMINAR ON INCOME TAX ACT, 2025 - TRANSITION ROADMAP"