



FOR STUDENTS
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From President's Desk...

Dear Students and Readers,

I am so very delighted to write my first communication as a President of this Association and addressing to the students community which is not only one of the three important pillars of the association but also the future of our community, society and nation.

As the theme of the year is LEARNING, NETWORKING and UPSKILLING and since the association is also celebrating its Golden Jubilee Year, we have planned many students programs and activities from which one of the important ones is publishing students magazine-Indradhanush- A place where young and energetic minds can pen down their views, thoughts and perspective and learn and upskill themselves. Our vision is to make our students community strong and have 1000 members and do all possible programs and activities which can place them step ahead through continuous LEARNING, NETWORKING and UPSKILLING. Our Student Committee is relentlessly working under the dynamic convenorship of CA Nihar Dharod and energetic joint convenorship of CA Paras Maru and CA Shreya Nagda.

Not only this our vision is to be a one stop solution provider for all our students members who aspire to become Chartered Accountant, Cost Accountant and Company Secretary by providing them the required mentoring and hand holding from the time they decide to pursue the course till the time they qualify and become a degree holder through our various initiatives such as Student B.U.D.D.Y. Mitram Program - mentoring program, organizing students study circle meetings, conducting students orientation programs, organizing Students Residential Refresher Courses, Industrial Visits, publishing students magazines, planning students recreational activities, etc. CVOCA has always shown a remarkable support to needy students by providing interest free loans from Shantilal Vershi Haria Fund and discount from renowned coaching classes. I request all student's community members to enjoy your this phase by continuous learning and upskilling your self as what you do today shall determine your tomorrow.

Our honorable Prime Minister also emphasized in his Independence Day Speech that India has a demography, democracy, diversity to realize all dreams and so appealed to REFORM, PERFORM and TRANSFORM.

I request all Students Members to take part in all the activities organized by the Students Committee and wishing you All the very best and bright future.

Looking Forward.....

Thank you all..... Always in Gratitude

CA Jeenal Savla

September 27, 2023

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CA Nilesh Dedhia

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FROM THE DESK OF CHAIRMAN

Dear Students and readers,

As an Indian, I felt proud about the soft-landing of Chandrayaan-3 on the moon! In the vast space of our universe, where mythology and science come together so often, Chandrayaan-3 shines brightly as a symbol of India's astral hope and exploration. It shows India's strong determination to uncover the moon's mysteries. India's space agency, ISRO, has announced plans to launch its first space observatory for solar research, Aditya-L1, in September, 2023.

Today world is moving towards AI. Artificial intelligence (AI) has come a long way in recent years, and its capabilities are becoming increasingly impressive. AI can perform tasks that were once thought to be exclusive to human intelligence, such as language translation, writing letters, searching case laws, image recognition, and even composing music. With these advancements, many are beginning to wonder if AI can replace human creativity.

Can AI Replace Human Creativity?

The short answer may be no. AI can mimic certain aspects of creativity, but it cannot truly replace human creativity. The reason for this is that creativity is not just about generating new ideas or solutions; it is also about the process of creating, the emotional and personal connections that are formed during the creative process, and the human experience that is inherent in all creative endeavors.

That being said, AI can be used to enhance and complement human creativity. For example, AI can assist with the generation of ideas and provide inspiration for human creatives. But ultimately, it is up to humans to interpret and apply these insights in a way that is meaningful and resonates with audiences.

As AI continues to evolve, it will be exciting to see how it can be used to push the boundaries of human creativity even further.

AI and creativity can coexist and complement each other. By embracing this partnership between humans and AI, we can unlock a whole new world of creativity and innovation.

To become more creative and innovative, it is important to present yourself either by way of leading group discussion, study circle and more importantly writing articles in 'Indradhanush'. To bridge this gap, students' committee of CVOCA association has thought of rolling out magazine for students.

As a Chartered Accountant, we all are involved with one of the most basic pillars upon which our civilization is built – the economy. As such, it would be of paramount importance for you to remain updated on everything that happens in your profession. CVOCA's 'Indradhanush' will be like a guide and companion rolled into one. The magazines would definitely lead you on a path of knowledge, and benefit you eventually in your profession. It will also serve to build professional connect, thereby paving way for better future prospects.

Looking forward for enhanced participation in various activities and events organised by the students' committee of CVOCA Association.

Last but not the least, on the occasion of Paryushan Parv, I seek forgiveness and say “Michami Dukkadam!!”.

Sd/-
CANilesh Dedhia
Chairman.



BRIDGING THE GAP: STAKEHOLDER EXPECTATIONS VS. AUDITOR RESPONSIBILITIES

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*“Auditing is serious business, stay away from it, if you can't meet the expectation gap”
– ICAI President Debashish Mishra*

Auditing is a powerful tool to bolster the stakeholders' confidence with the results of business operations, many expectations are influenced by the role played by the auditors. Right from scope to assurance, stakeholders shall be familiarized with the responsibilities of the auditors in the true sense. In absence of which, a gap comes into existence, which could lead to distrust and lack of reliance by the stakeholders' on the audited financial statements. In this article, I have brought into facets certain important aspects, like expectations of stakeholders, expectation gaps and Auditors roles and responsibilities and how the expectations gap be minimised.

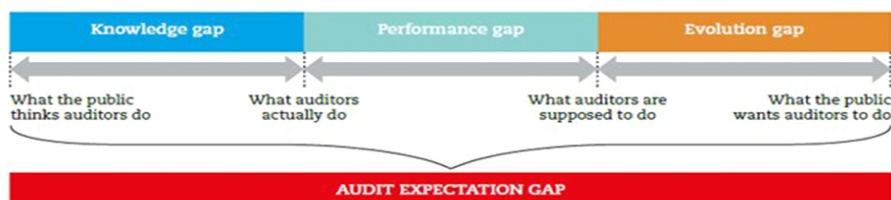
Some common expectations of the stakeholders are-

1. Complete Reliability on the audited financial statements of the entity.
2. Prevention and detection of all Frauds. Eg: Violence Child Labour (Being a non-financial reporting related flag however posing ethical and morale reporting needs)
3. Design, implementation and maintenance of operating effectiveness of internal controls, including those controls, which don't correspond to financial reporting framework, Eg: Employee attendance is not the responsibility of auditor.
4. Assess the creditworthiness of the company for their investment decisions.
5. Compliance with legal and regulatory matters, including laws not covered by financial reporting.
6. Maintaining transparency of all data, even sensitive public information.
7. Maintaining public trust to ensure there are no scandals or red flags.

Expectation gap illustrations –

Last week, Deloitte resigned as auditor of the Adani Group's port company while the company run by Gautam Adani said the auditor wanted a wider scope in the role of accounting whereas auditors resigned on the grounds of limitations on the scope of audit. Earlier in June Deloitte also resigned from Byju's and PWC resigned from Paytm on the similar grounds of gap between the client and the auditor. Following illustrations are examples of the gap that arises on common grounds.

- Knowledge gap – Lack of expert knowledge on general audit scope and coverage, specifically those as per the standard of auditing, issued by the ICAI.
- Performance gap – difference between the types of tasks that the public believes, which the auditor is required to perform and the level of work that auditing standards require.
- Liability gap: misunderstandings regarding an auditor's legal liability, as in the case of detecting fraudulent activity.
- Evolution gap: Stakeholders expectation do not match despite of agreed terms of engagement with the Company.



Auditor's Roles and Responsibilities:

1. **Examine Financial Statements:** The primary responsibility of a statutory auditor is to examine the company's financial statements, including the balance sheet, income statement, cash flow statement, and statement of changes in equity, to ensure their accuracy and compliance with the accounting standards and regulations (GAAP, IndAS, etc.).
2. **Express an Opinion:** After conducting the audit, the auditor is required to express an opinion on whether the financial statements give a true and fair view of the company's financial position and performance.
3. **Evaluate Internal Controls:** Auditors assess the company's internal controls pertaining to financial statements and accounting procedures, to determine their adequacy in preventing and detecting errors and fraud. It goes without saying that the Auditors are not expected to assess all internal controls, only those in the scope of audit.
4. **Assess Going Concern:** Auditors evaluate whether the company is a going concern, meaning it can continue its operations for the foreseeable future. This aspect is increasing over the period, as many corporate entities have gone for insolvency proceedings and the stakeholders are not informed on timely basis. It goes without saying that by commenting on this aspect of the Company, the Auditor is NOT giving a guarantee given by auditors on the going concern, but only a test of irregularities in the normal course of business.
5. **Detect Fraud and Irregularities:** Auditors are responsible for detecting material misstatements due to fraud or error. They perform procedures to identify irregularities and fraudulent activities. However, the primary responsibility of fraud detection is still in the hands of management of the Company.
6. **Professional Skepticism:** Auditors are required to approach their work with professional skepticism, maintaining an attitude of questioning and critical assessment to uncover potential issues.
7. **Independence:** Auditors need to be independent to the engagement so as to avoid bias and maintain the professional standards in the audit performed. There are various safeguards to independence, as provided under the Companies Act 2013, which ensures that the auditor's independence is maintained.

Additional, as per SA 200 auditing suffers from inherent limitations and *the auditor is not expected to and cannot, reduce the audit risk to zero and cannot therefore obtain absolute assurance that the financial statements are free from material misstatements due to fraud or error. And thus audit refers to having a reasonable assurance on the true and fair view of financial statements.*

However, an Auditor can be held liable –

- **Liability for Negligence:** If the Auditor fails to exercise reasonable care and skill while performing the audit, resulting in incorrect or misleading financial statements, they may be held liable for negligence. Widely known Satyam Scam being a prime example.
- **Liability for Fraud Detection:** Auditors may be held liable, if they fail to detect material fraud during the audit that could have been reasonably expected to be identified.
- **Failure to perform audit as per SA:** Auditors have a professional duty to perform their work in accordance with applicable auditing standards. Failure to do so can result in professional liability.

How to manage the GAP?

In continuation of the above example of Deloitte, it is noted that communicating the practical unconvincing and impossibilities give stake holders and insight as to not refer to the audited Financials due to imposed restrictions. Clear communications of the results expected by client and auditors as per SA 220 and SA 580 (written representations by management) allows the auditor to rely on statements given by management and deal with the discrepancies accordingly.

Audit report also highlight's management as well as Auditor's responsibilities giving a detailed clarity on the GAP and miscommunication that can be avoided or mitigated. Managing the expectation gap is an ongoing discussion in the industry, but there are some ways to help close it. It's helpful to look at both the knowledge and performance components of this gap.

1. Educate the stakeholders about an auditor's specific responsibilities.
2. Writing a letter of engagement helps spell this out before the audit process begins as per the agreed terms.
3. Overall, clear communication is the best way to close the expectation gap.

As we conclude this insightful discussion on "Bridging the Gap: Stakeholder Expectations vs. Auditor Responsibilities," it's clear that the relationship between auditors and stakeholders is a critical one, shaping the integrity and transparency of financial reporting. In closing, let us remember that the collaborative efforts of auditors and stakeholders contribute to the trust and confidence that underpin financial markets. By acknowledging each other's roles and limitations, we can work together to bridge the gap between expectations and responsibilities, ultimately strengthening the foundation of economic growth and stability.

Lastly I'd like to close by quoting Larry Sawyer “ *For every Operation audited, know the mission, the purpose and the reason of being.* ”



DECODING COMPANIES (AUDITOR'S REPORT) ORDER, 2020

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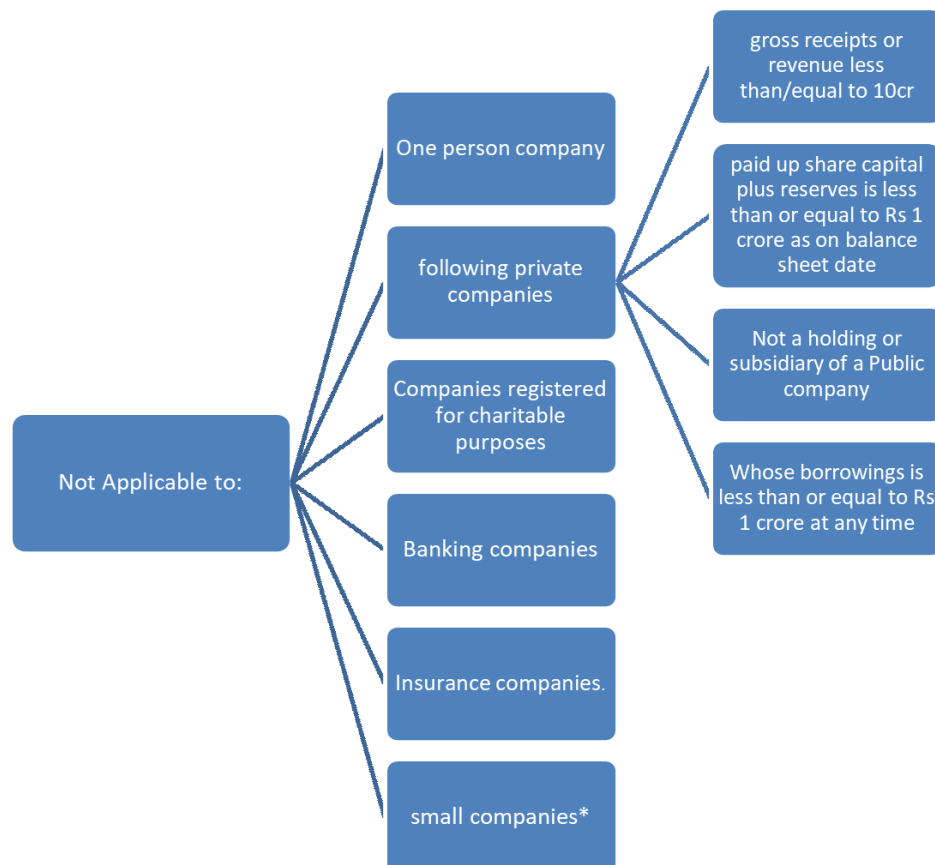
Introduction:

The Companies (Auditor's Report) Order, 2020, commonly known as CARO 2020, is a regulatory framework in India that mandates specific reporting requirements for auditors while conducting an audit of a company's financial statements. The Ministry of Corporate Affairs (MCA) issued CARO 2020 on 25th February 2020. CARO 2020 was initially applicable for audits of financial year 2019-20 onwards. Subsequently its applicability was deferred two times vide notification dated 24th March 2020 and 17th December 2020.

This order was issued by the Ministry of Corporate Affairs (MCA) to enhance transparency, accountability, and the quality of financial reporting in companies. CARO 2020 supersedes the previous CARO 2016 and introduces several new reporting requirements to ensure a more comprehensive audit process. CARO 2020 contains several significant changes and new reporting requirements vis-à-vis CARO 2016.

Applicability:

CARO 2020 is applicable for all statutory audits commencing on or after 1 April 2020 corresponding to the financial year 2019-20. The order is applicable to all companies which were covered by CARO 2016 including foreign companies. It does not apply to following:



* It may be noted that in case company is covered under the definition of small company, it will remain exempted from the applicability of CARO 2020 even if it falls under any criteria specified for private company.

A private limited company in order to be exempt from the applicability of the order, must satisfy all the conditions mentioned above collectively. In other words, even if one of conditions is not satisfied, the order would be applicable to the company.

Further CARO 2020 shall not apply to the auditor's report on the consolidated financial statements (CFS) except that qualification / adverse remarks in CARO in the audit report of the components which are consolidated in the CFS will be required to be reported.

Key reporting Requirements under CARO 2020 and changes vis-à-vis CARO 2016:

CARO 2020 has in all total 21 clauses. Total 7 new clauses have been added, there is no change in 6 clauses, the scope of reporting is expanded in 8 clauses and 1 clause is deleted.



Let's now understand some of key and important changes in CARO 2020 vis-à-vis CARO 2016:

Clause reference	Key changes
Clause 3(i) – Property, Plant, Equipment	<ul style="list-style-type: none"> Words “Fixed Assets” is replaced with “Property Plant & Equipment”. This is done to align with AS-10 Disclosure regarding title deeds of immovable property is now to be given as per format specified. One has also to report about whether revaluation of assets done by registered valuer and whether such valuation exceeds 10% of aggregate net carrying value of each class of assets. Reporting relating to whether proceedings have been initiated in respect of “Benami Transactions” is to be done.

Clause reference	Key changes
Clause 3(ii) – Inventory	<ul style="list-style-type: none"> Materiality of 10% has been specified in order to remove ambiguity of discrepancy of changes mentioned in audit report. So, if change in inventory exceeds 10% or more, disclosure regarding same is to be given. Disclosure for working capital limit of Rs. 5 crore or more at any point of time during year is to be given. Also whether quarterly returns of statement filed by company with bank or financial institutions are in agreement with books of accounts or not is to be disclosed.
Clause 3(iii) – Loan, Investments, guarantee, securities and advances in nature of loan	<ul style="list-style-type: none"> The words loan given to the parties u/s 189 is removed and loan given to any person is now included. Words “investment, guarantees and security” have been added. Disclosure of loan extended, renewed or fresh loan granted has been settled against overdue of existing loan. Whether any loans are repayable on demand or without specifying any terms of repayment. <p>By making above changes the disclosure requirement has been enhanced made by adding the word 'Investment, Guarantees & Security and by removing the word 'parties covered u/s 189. Further, true picture of financials will be shown by disclosing the loan extended or fresh loan settled against overdue loan.</p>
Clause 3(v) – Deposits	<ul style="list-style-type: none"> The scope of reporting of deposits is extended by adding the words “deemed to be deposits”.
Clause 3(viii) – Unrecorded Income	<ul style="list-style-type: none"> This clause seeks to match books of accounts with the tax assessments made in respect of unrecorded incomes. New clause was being inserted, in case any transactions not recorded in the books of account have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, if so, whether the previously unrecorded income has been properly recorded in the books of account during the year.
Clause 3(ix) – Borrowings	<ul style="list-style-type: none"> The reporting scope has been enhanced by adding the word payment of interest on borrowing from any lender in place of banks, financial institutions, government dues or debenture holders. If company is declared wilful defaulter the same is also to be disclosed. Disclosure also has to be made if funds are raised by company to meet obligations of its subsidiaries, associates or joint ventures.
Clause 3(xi) – Fraud	<ul style="list-style-type: none"> The scope of fraud reporting has also been increased. Disclosure in case of any report has been filed in Form ADT-4 under section 143(12) by the auditors with the central government is to be done. Whistle blower complaints if any received are also to be disclosed.

Clause reference	Key changes
Clause 3(xiv) – Internal Audit	<ul style="list-style-type: none"> This is new clause that is being inserted. Reporting under this clause focusses on role of internal auditor and expresses responsibility of statutory auditor to rely on work of internal audit report. Company has to report whether internal audit system is commensurate to size and nature of business of company. Also disclosure is to be made for whether report of internal auditor is being considered by statutory auditor or not.
Clause 3(xvii) – Cash Losses	<ul style="list-style-type: none"> New clause inserted to disclose cash losses incurred during financial year and also in immediately preceding financial year.
Clause 3(xviii) – Resignation of Auditor	<ul style="list-style-type: none"> This clause is inserted to disclose issues, objections or concerns raised by outgoing auditor at the time of resignation as statutory auditor during the year.
Clause 3(xix) – Financial Capability of the company	<ul style="list-style-type: none"> Again this is a new clause and it requires disclosure of whether the company is capable to meet out its liabilities that existing on the balance sheet date as and when they fall due within one year. Auditor needs to analysis on the basis of financial ratio, ageing of financial assets and financial liabilities and Expected realization of those assets and liabilities.
Clause 3(xx) – CSR compliances	<ul style="list-style-type: none"> To check compliance with second proviso to sub-section (5) of section 135 & sub-section (6) of section 135 of the Companies Act, 2013 this clause is inserted. Disclosure has to be done of whether company has transferred unspent CSR amount in case of outgoing projects to a special designated bank account and for other than outgoing projects to a fund specified under Schedule VII to the companies act within 6 months period of the expiry of financial year.
Clause 3(xxi) – Consolidated financial statement	<ul style="list-style-type: none"> New clause was being inserted, to disclose any qualifications or adverse remarks by the auditor in their reports of the companies (subsidiary) should be included in the consolidated financial statements (Parent).

Conclusion:

The introduction of CARO 2020 was triggered by a number of corporate failures (especially IL&FS) and a whole boost of exposure to corporate frauds as witnessed under IBC, which has triggered CARO 2020. It entails to bring upon more accountability, corporate trusteeship, and transparency. A different feature of CARO 2020 is the enhanced due diligence responsibility on the auditors. CARO 2020 covers many governance issues on which the MCA requires the auditors to comment.



AUDIT OF CHARITABLE TRUSTS

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Section 2(15) IT Act 1961 states that charitable purposes include relief of the poor, education, medical relief, advancement of any other object of general public utility, preservation of environment (including watersheds, forests, and wildlife) and preservation of monuments or places or objects of artistic or historic interest.

Under Section 12AB, renewable registrations is being granted to trusts. Form 10A to be filed for new registrations and Form 10AB for renewal of registration. The period of valid registration is three years for new/fresh registration and 5 years for renewal of registration.

As an auditor, we need to check the following points :

1. Whether Trust is holding valid certificate of registration and for Section 80 G? If not, whether renewal of registration is due in near future?
2. To check the object clause of the trust deed.
3. To check the donor's letters/donation list with the bank statement.
4. To check whether all bank credits are tallied with the donations/other receipts accounted in the books of the trust.
5. Examine the schedule of investments to confirm that all income and the investments are duly accounted.
6. To check that all payments made by the trust are only for the object of the trust.
7. Corpus Donation received is Tax Free – To check if letter of the donor is available. Auditor also needs to check the following points :
 - a. Whether corpus donation is invested in specified mode?
 - b. If any donation towards corpus is given by the Trust, then reduce from corpus fund.
8. Voluntary Contribution and other customary receipts & Capital gains/Interest is Taxable. Auditor needs to check its utilization whether it is exclusively for object of the trust and administrative expense.
9. Capital Gains are tax free if proceeds reinvested in specified mode.
10. Verify various expenses like payment of Salary & allowances, administrative expenses like bank charges, printing & stationery etc.
11. Ensure that nothing is paid to/on behalf/for benefit (including advance) to Trustees.

Exemption under section 11 of IT Act, 1961 :

- Section 11(1): Income is exempt up to 15% of Total Income.
- Section 11(1)(a): Balance 85% or more of income is exempted only if it is applied for the purpose to that extent.

- Section 11(2) (Accumulation for 5 Years):

- If a trust is unable to apply 85% of its income during the year, then accumulation is permitted up to 5 years.
- Such accumulated income will not be included in total income if the trust intimates to the Assessing Officer by filing Form 10 by stating the purpose for which it is being accumulated and for what period it is being accumulated. Purpose should be specific.
- Income so accumulated must be deposited in modes specified u/s 11(5) (Deposit in post office saving bank, investment in government saving certificate etc.).
- Proper disclosure in ITR as regards investment and utilization needs to be given.

- Clause (2) of Explanation to Sec. 11(1) - Accumulation for 1 Year :

- If 85 % of the income has not been spent during the year, the amount can be applied in the following year.
- However, intimation in writing must be sent to Assessing Officer in Form 9A.
- No specific purpose to be provided and no need of corresponding investment in sec. 11(5) modes

Where the trust/institution does not utilize accumulated income within period of 5 years/one year, then such income is chargeable to tax in the 5th year/next year.

Note: Form 9A (Accumulation within next one year) & Form 10 (Accumulation within next five year) to be filed before 31 August 2023. However, vide Clause 15 of Circular 6/2023, the exemption shall be allowed as long as such Forms are filed by the due date of Filing of ITR.

Exemption under section 11 of IT Act, 1961 not available if:

- Income does not endure benefit to general public;
- Funds not invested in specified mode u/s 11(5);
- Income is for the benefit of specified persons such as trustee/relatives. In such cases, penalty u/s 271AAE for passing on unreasonable benefits to trustee or specified persons, is equal to:
 - a) amount of income applied by such trust for the benefit of specified person, where the violation is noticed for the first time during any previous year,
 - b) twice the amount of such income where the violation is noticed again in any subsequent year.

Compliance to section 10BD of IT Act :

- The purpose of Form 10BD is to provide details of the donations received during the financial year before 31st May every year.
- Certificate in Form 10BE will have to be furnished to the donor.
- Failure to file Form 10BD: Penalty of INR 200/day of delay, maximum of INR 1,00,000/-

Applicability of TDS Provisions & Cash Payment Provisions:

As per Expl. 3 to sec. 11(1), all the charitable institutions are at par with the income from business for the disallowances u/s 40(a)(ia) & 40A(3)/(3A), i.e., disallowance of expenditure in respect of which TDS has not been deducted or cash payment is made exceeding INR 10,000/-, then such expenditure (30% in case of default in TDS deduction and 100% in case of cash payment) will be disallowed as application under this provision.

Selection of Form for Audit Report :

Criteria for selection of form for audit	Applicable Form
Total income without giving effect to the provisions of the sub-clauses (iv), (v), (vi) and (via) of Section 10(23C) exceed INR 5 Crores.	Form 10B
Total income without giving effect to the provisions of section 11 & 12 exceeds INR 5 Crores.	Form 10B
Trust has received any Foreign Contribution during the previous year	Form 10B
Trust has applied any part of income outside India during the previous year	Form 10B
In any other cases not covered above	Form 10BB



DATA ANALYSIS : THE NEW WAY OF AUDITING

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As the world is shifting towards AI and Machine Learning in every sector of the Economy, as auditors we are upgrading from the conventional ways of auditing to using more system driven tools for auditing of various entities. Talking about tools and techniques, the most useful tool used in everyday life in our profession is MS Excel. Even though MS Excel is a powerful tool, it suffers from certain inherent limitations just like our profession of auditing. Thinking about voluminous data, the tool might not be efficient and effective for collecting evidence. Also forming an independent opinion on such data might be erroneous. In such circumstances, there are other useful tools such as POWER BI [an Application by Microsoft], ACL, IDEA etc. which are useful, effective yet data friendly software tools. Also, in Excel the advance version called as VBA, Power Query in which a few efforts of coding and learning can not only upgrade our skills but also enhance and make the best use of time while working on Data Analysis.

Now, let's have a glance on the most useful tool i.e. MS Excel which can help us in unearthing some extraordinary findings which shall make our raw data more insightful.

Case 1: Purchase Dump [Illustrative]

SKU & (State)	Party Name	Revised Product Name	Rate per Product	QTY per Box	No of Box	Amount
BZ-SKU-0030959-Delhi	RFB LATEX LTD - Purchase A/c	Nitrile Examination Gloves	₹ 6.50	100	10	₹ 6,500.00
BZ-SKU-0030959-Delhi	RFB LATEX LTD - Purchase A/c	Nitrile Examination Gloves (280mm)	₹ 6.49	100	10	₹ 6,490.00
BZ-SKU-0030959-Haryana	FOUNDATION FOR ECOLOGICAL SECURITY - Sales A/c	Shieldwise Basic Kit	₹ 857.00	100	10	₹ 8,57,000.00
BZ-SKU-0030959-Haryana	FOUNDATION FOR ECOLOGICAL SECURITY - Sales A/c	Shieldwise Basic Kit	₹ 857.00	100	10	₹ 8,57,000.00
BZ-SKU-0030959-Haryana	Smartpaddle Technology Private Limited	PPE Kits	₹ 1,094.64	100	10	₹ 10,94,640.00
BZ-SKU-0030959-Haryana	Smartpaddle Technology Private Limited	PPE Kits	₹ 1,094.64	100	10	₹ 10,94,640.00
BZ-SKU-0030959-Haryana	United Way of Mumbai- Sales A/c	PPE Kits	₹ 757.00	100	10	₹ 7,57,000.00
BZ-SKU-0030959-Haryana	ICICI Foundation for Inclusive Growth - Sales A/c	Shieldwise Intermediate PPE Kit	₹ 1,095.00	100	10	₹ 10,95,000.00
BZ-SKU-0030959-Haryana	FOUNDATION FOR ECOLOGICAL SECURITY - Sales A/c	PPE Kits	₹ 4,000.00	100	10	₹ 40,00,000.00
BZ-SKU-0030959-Karnataka	URBANCLAP TECHNOLOGIES INDIA PRIVATE LIMITED - Sales A/c	Nitrile Examination Gloves (280mm)	₹ -	100	10	₹ -
BZ-SKU-0030959-Karnataka	63 Ideas Infolabs Pvt Ltd - Sales A/c	Nitrile Examination Gloves (280mm)	₹ -	100	10	₹ -
BZ-SKU-0030959-Karnataka	URBANCLAP TECHNOLOGIES INDIA PRIVATE LIMITED - Sales A/c	Nitrile Examination Gloves (280mm)	₹ -	100	10	₹ -
BZ-SKU-0030959-Maharashtra	COLLATERAL MEDICAL PRIVATE LIMITED - Purchase A/c	Nitrile Examination Gloves	₹ 4.10	100	10	₹ 4,100.00
BZ-SKU-0030959-Maharashtra	JAYANA INDUSTRIES - Purchase A/c	Nitrile Examination Gloves (280mm)	₹ 4.75	100	10	₹ 4,750.00
BZ-SKU-0030959-Maharashtra	C ABHAYKUMAR & CO - Purchase A/c	Nitrile Examination Gloves (280mm)	₹ 5.12	100	10	₹ 5,120.00
BZ-SKU-0030959-Maharashtra	C ABHAYKUMAR & CO - Purchase A/c	Nitrile Examination Gloves (280mm)	₹ 5.12	100	10	₹ 5,120.00
BZ-SKU-0030959-Maharashtra	HOUSING DEVELOPMENT FINANCE CORP LTD - Sales A/c	PPE Kits	₹ 926.25	100	10	₹ 9,26,250.00
BZ-SKU-0030959-Maharashtra	IMC CHAMBER OF COMMERCE AND INDUSTRY - Sales A/c	Shieldwise Advanced PPE Kit	₹ 1,295.00	100	10	₹ 12,95,000.00
BZ-SKU-0030959-Maharashtra	IMC CHAMBER OF COMMERCE AND INDUSTRY - Sales A/c	Shieldwise Advanced PPE Kit	₹ 1,295.00	100	10	₹ 12,95,000.00
BZ-SKU-0030959-Maharashtra	SHREEKANT YADAV JAVALGEKAR - Sales A/c	Shieldwise Advanced PPE Kit	₹ 975.00	100	10	₹ 9,75,000.00

Illustration 1.1

Say we are provided with the Data Dump of purchases for a year where a system is placed in the organization and we have to provide an independent report on Internal Control. Following are the glimpse in company's system manual.

- The system in place has all configurations starting with creation of creditor master till booking any purchase transactions for particular products.
- The creditor master must be created after approvals which are based on quotations. Subsequently, the determined rate of purchases is configured in the software.

While performing the system audit procedures for understanding the entity and its relevant Internal Controls, we were provided with software usage guidelines whose preparation and presentation was the management's responsibility. These guidelines stated that the cost per product can be amended based on fluctuations in trends either internal or external.

If we need to obtain evidence using this electronic data, the first audit technique that comes to our minds is **Audit Sampling** but it faces **Limitation** as to whether selected sample data contains the material misstatements or instances where fluctuations in trends from the given set of data. Since sampling represents a part of the population, we are unable to verify the authenticity and correctness with regards to the objective of Internal Control being operational throughout the year.

Thus, to tackle such Inherent Limitation, let's run through the solution using the **Swiss Knife** of MS Excel i.e. **Pivot Table**. Here, we are concerned about a question, whether any risk exists in cost per unit? Since, there is a variation in the observation in the population, so, **STANDARD DEVIATION REPRESENTS THE RISK WITHIN COMPONENTS OF POPULATION**.

Product	Values		Sum of Amount	Need to work out from pivot table	
	StdDev of Rate per Product	Average of Rate per Product		Co-efficient of Correlation	% of Purchase to Total Purchase
Nitrile Examination Gloves	64.07	14.62	17,39,692.00	438.27	2.06%
Nitrile Examination Gloves (280mm)	11.45	6.08	2,99,88,806.00	188.37	35.53%
PPE Kits	927.44	1,105.17	2,87,34,530.00	83.92	34.04%
Shieldwise Advanced PPE Kit	198.55	1,211.00	60,55,000.00	16.40	7.17%
Shieldwise Basic Kit	64.39	906.88	1,45,10,000.00	7.10	17.19%
Shieldwise Intermediate PPE Kit	165.83	845.00	33,80,000.00	19.62	4.00%
Grand Total	123.47	16.54	8,44,08,028.00		

Value Field Settings

Source Name: Rate per Product

Custom Name: StdDev of Rate per Product

Summarize Values By: Show Values As

Summarize value field by

Choose the type of calculation that you want to use to summarize data from the selected field

Max
Min
Product
Count Numbers
StdDev
StdDev

Number Format OK Cancel

OBSERVATION

- As apparent to above table PPE Kits has highest Standard Deviation compared to other products whereas its co-efficient of variation is just 83.92% also with reference to total purchases it amounts to 34.04%
- Since Nitrile Examination Gloves (280 mm) has lowest Standard Deviation but in relative terms [co-efficient of variation] its 188.37% and also denotes 35.53% to total purchases which may be red flag.
- Nitrile Examination Gloves has mere 2.06% of weightage with reference to total purchases but its co-efficient of variation is highest thus it may be consider for detail examination depending on Auditors Judgement

Illustration 1.2

First, create a Pivot Table format with **“Classic View”** then, take **“Products”** as base and **“Rate per product”** in the values column. As depicted in **Illustration 1.2** above, change value field to **“StdDevp of Rate per product”**. Since Standard Deviation is an absolute measure take the **“Average of Rate per product”** and **“Sum of Amount” (Total purchase of product)**. Now, you have a data set ready for finding the observations. Find Co-efficient of Correlation (**Std Devp / Avg**) depending on which your decision shall be based. On comparison with Std Devp and Co-efficient of Correlation, you might find Red flag items which either contain misstatements whether intentional or unintentional. In order to determine the materiality of such Red flag items, compare the percentage of purchase of product to total purchase within such items to review the degree of materiality w.r.t such population.

Thus, according to the above observations, we may draw conclusions (Refer observation in Illustration 1.2) as to whether there is appropriate selection of sample upon which conclusion is based **and** whether these samples shall fulfill the objective of Internal Control relevant to the audit.

Obtaining sufficient appropriate evidence to achieve engagement objectives depends on the nature, extent, and timing of the procedures performed. While economic and time constraints have historically precluded internal auditors from testing 100 percent of a given population, advances in data analysis have made it more possible than ever before as many constraints such as disk storage, processing power, ease of using software, and auditor ability to interpret results from large volumes of data have been minimized.


Audit sampling is, by definition, the application of an audit procedure to less than 100 percent of the items in a population of audit interest for the purpose of drawing an inference about the entire population. It is used most commonly by internal auditors to test the operating effectiveness of controls. Increasingly, however, internal auditors can apply analysis to large populations of data to identify anomalies that could indicate a need for remediation.

Ten important things to remember about data analytics and audit sampling are listed in

1. Develop a strategic view of data analytics in the internal audit plan to determine which audits will employ data analytics.
2. Provide for adequate staffing and support of data analytics within the internal audit group.
3. Evaluate use of data analytics at the beginning of each audit and determine how data analytics can contribute to the effective and efficient completion of internal audits.
4. Modify the internal audit process to take full advantage of data analytics.
5. Leverage key technologies within the organization and supplement with additional internal audit data analytics tools.
6. Take advantage of data visualization tools to enhance audit results and presentations to management.
7. Both statistical sampling and non-statistical sampling require the use of professional judgment in designing the sampling plan, executing the plan, and evaluating sampling results.
8. An important advantage of statistical sampling over non-statistical sampling is that statistical sampling allows the internal auditor to quantify, measure, and control sampling risk.
9. Attribute sampling is a statistical sampling approach that enables the user to reach a conclusion about a population in terms of a rate of occurrence.
10. Evaluating the results of an attribute sampling application involves formulating a statistical conclusion, making an audit decision based on the quantitative sample results, and considering qualitative aspects of the sample results.



Thus, with a little creativity in matching data science tools to the problem & opportunity of control attribute sampling we can say:

1. Dramatically improve quantification & the quality of audit decision-making.
 2. Automate auditor judgement to scale across entire populations.
 3. Better understand, adjust and explain our own opinions.
 4. They help to ensure that internal controls are operating effectively, risks are being identified and mitigated, and compliance with regulatory requirements is being maintained.
 5. It provides an assessment of the institution's IT systems and identifies any vulnerabilities, system weaknesses, or compliance issues that may exist.
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STRATEGIC AUDIT AND ITS ROOTS WITH-IN THE ECONOMY


Karan Gala

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Being a part of shark tanks and start-up supporting economy, it is nearly a common idea to start a new business venture. But despite the commonness, the business world is growing, earning greater returns and boosting the economy's GDP. Also alongside our profession is working together with such businesses to build a fruitful marketplace. But having similar businesses throughout the industry is not the reason for such immense success of the business world. Then what is it that makes the business industry so fruitful? Glitter and shine as a Market? So tempting? So profitable? And at the same time dynamic and uncertain altogether. Continue reading so that you can dig-in into the reality and also nurture the knowledge of business world along with its links with our chartered accountancy profession and the inter dependency between streams and other areas of the economy.


Business industry is by itself a macroeconomic factor which acts as a support system to our economy, but when we consider the question of a characteristic which differentiates the businesses within the industry is their way of undertaking the business. The way of dealing with the problem, the solutions, choosing appropriate marketplace, customer relationships, goals, mind-sets, organizational structures, methods of working, and much more. When we sum it up: it is their own STRATEGY. Strategy is considered as one of the major key ingredient to the success stories of flowering business ventures. When the major aspects of profitability are to be identified, Strategy gains majority of the marks and because of which it is the important factor of the business world. But what it has to do with the Chartered accountancy profession? There comes the concept of "STRATEGIC AUDIT". Having heard of tax audit, statutory audit and even GST audit, strategic audit is a new term, even for me it was a new concept when I chose this topic. Considering the book or google definition of Strategic audit : it is defined as "An audit, or strategic diagnosis, which focuses on understanding and evaluating products and services, development areas, customers and markets, competitors, internal teams and skills, organization, processes, methods and technologies of a company". Now this is what is available when you google it. But what is actually this audit and why it is required in the modern business world? Strategy is something which is the foundation of the organization. It is a pathway for its functioning, the growth factor, and the problem dealing ability, the identification of the opportunities, responses to the threats, understanding markets and many more aspects. When considered the bigger picture, it is what an organization is able to achieve through its resources, identifying the resources, usage and the outcome of the resources. Now when this aspect is attached to the audit stream, so it constitutes the examination of all such factors and implementation of appropriate procedures to identify the flaws and drawbacks in the strategy and get through the unprofitable means and turn them to profitable ventures.

So strategic audit is something which helps you gain an edge over your competitors by just identifying what is wrong in your strategy or what can be done to improve your current strategy to the next best level. When we relate to our syllabus it can be considered as a top level management function and can be covered under operational audit, management audit and also has attachments with internal audit functions and other audit environment. Now in layman's language strategy and its audit can be simplified as what is your way of undertaking the business and whether such methodology is acceptable? But this is not as simplified as it seems, once considered strategic audit is something which requires good knowledge of business, its impacting areas, its functions, its statutory obligations, and the complete business process chain & cycle. When we consider management audit it is compliance with management guidelines and whether management is complying with the given guidelines, on that similar pace, strategic audit can be understood as compliance with strategic & futuristic guidelines made for company and adherence to such pre decided strategic path so as to achieve the given organizational goal and other objectives, and



at the same time ensuring that there is no deviation in the internal control functions, statutory functions and other branches of the organization as a whole. So strategy is not just top management function, it has got its presence with the other roots of the functioning aspects of the organization as well. It can be related with the internal function, management function, statutory function, business processes, market and even industry as a whole. From a small change in the business personnel within the organization to a big move like take-overs, mergers between the businesses, strategy and its audit has got presence. It has major presence when it comes to due-diligence. So different audit environments can be traced along with strategic audits and when strategic audit is considered in isolation, different audits are part of strategic audits. When we elaborate the term “strategic audit”, it defines itself as audit of the strategy of the organization. And when strategy is considered individually, it automatically captures the complete functioning of the organization, as a small change in the strategy can impact the working of the organization to a greater extent and this is the reason that not every strategy but to a certain extent some strategies should be audited. Strategy of the organization is a blueprint which enables the company to achieve its goals (whether short-term or long term), sustain in the environment and as well grow in different aspects of business, also survive through the times of difficulties and rise again with flying colours. The strategy needs to be updated as a response to the business needs, industry needs, statutory needs, economic needs and much more. But once a problem is identified and needs a solution, direct implementation without proper planning may result into an ad-hoc situation and may impact the routine cycle of the business, which urges the need for proper analysis of the problem, planning of the solution and its successful implementation together with the post implementation follow-up. All can be combined and put together in one phrase as “Strategy and its audit or Strategic audit”. So even for a successful implementation or failure of an implemented decision, strategy is responsible to some extent. And to identify any such flaws or draw a cost-benefit analysis it is the function of strategic audit. Strategic audit is audit of what strategy is, what is its outcome, the resources needed, analysis of the opportunities and threats involved, its implications on the different aspects of the company and its functioning, together with an analysis of its impacts on various levels within the organization. Strategic audit is regarded as an important tool for an organization for assessment of its strategy, goals, method of functioning, organizational structure and connection of such different aspects of organization with the strategy of the company on different levels as well as an organization as a whole. Strategic audit cannot provide a clear picture at isolation and hence we can connect the term along with other sections of the organization as well. Summarizing them includes strategic audit along with internal audit, tax audits, due diligence, management audit etc. etc. By referring the above analysis we can understand that strategic audit is a top management function, in alignment with internal audit team and due diligence. Specialized knowledge and depth analysis of the external and internal environment of the company is required, using which the professional can rely and make necessary judgements to reach to an appropriate conclusion. The various types of audits and steps involved under this type of audits are also dynamic in nature and need an open understanding of the market as well to reach to a clear outcome that can be used by management for further improve their strategies along with the way of functioning, structures, approaches, researches and major decisions impacting core areas of businesses. These methods can be summarized as under:

- 1) **Resource Audit:** identifying the available resources within the entity and as well with the engagement team so as to obtain a clear understanding of the current environment, organization and creating a blue print which helps allocate the resources in an appropriate manner. These resources can be in-house/owned resources or can be obtained through partnerships, joint ventures, supplier arrangements with other businesses, leased assets etc.
- 2) **Value chain analysis:** complete business cycles of an organization depend clearly upon various activities with the supply or value chain of the company. These different set of activities together form the complete product and business cycles. Careful analysis of the same will help understand the visible and hidden opportunities, competitive strengths and help formulate appropriate strategies in response to identified weaknesses. These activities can be grouped under two headings :

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- a. **Primary activities:** activities directly connected and concerned with creating and delivering a product (e.g. component assembly)
 - b. **Support activities:** activities not relatable directly to the product but may increase effectiveness or efficiency (e.g. human resource management).

It is a rarest case for a business to undertake all primary and support activities.

- 3) **Core Competence analysis:** capabilities which are of supreme importance are critical to achieve a competitive advantage over the competitors. An edge over other players in the industry can help achieve something extra over what is actually the industry average. This can be achieved through a thorough analysis of what are the core areas which can act as a strong base for the company on which it can rely for building its position in the market and also at the same time on such core areas it can build and work with the motive of achieving a special position or mastery which differentiates and help company stand out from the crowd.
 - 4) **Performance Analysis:** the strategic capabilities of a business are analysed through the above mentioned procedures but after going through the above procedures, the main aim is to consolidate all the findings and use them for evaluation of the performance of the business as a whole and conclude as to the actual position of the business in the marketplace. This answers a series of question:
 - a. What and how did the resources that were deployed changed overtime? **Historical Analysis.**
 - b. Comparison between the resources, capabilities and availabilities. **Industry Norm Analysis.**
 - c. Qualitative analysis of the resources against that which are available as best-in-class which can be useful for comparison to identify the true standard of the resources. **Benchmarking.**
 - d. Change in the financial analysis and performance of the company which is indicated through financial ratios and how they can be compared with key competitors and industry as a whole? **Ratio Analysis.**
 - 5) **Portfolio or Product Analysis:** analyses of the overall balance of the strategic business units of a business **and SWOT (Strength Weakness Opportunities and threats) Analysis.**
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Techni "Kal" ki Tayari...

BOOST YOUR OFFICE PRODUCTIVITY WITH CHROME EXTENSIONS

Devansh Kariya

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In today's digital world, Chrome extensions are helpful tools that can transform the way we work in the office. These add-ons are like mini-apps that enhance your web browsing experience, boosting productivity and efficiency. Let's take a look at some of the Chrome extensions that can help you streamline your office tasks and make your work life a little easier:

1. **Adblock**: Annoyed by ads popping up every time you're trying to focus on a task? Adblock extension wipes out those annoying ads, making your online workspace cleaner and more distraction-free.
2. **Video Speed Controller**: Watching educational videos or online tutorials? Video Speed Controller lets you control the playback speed of videos. You can slow down the pace to catch tricky concepts or speed things up when you're in a rush.
3. **Mailtrack**: Wish you could know when your emails are read? Mailtrack does just that. It adds read receipts to your Gmail, helping you track your E-mails.
4. **Fireshot**: Need to capture a screenshot of a webpage or a specific section? Fireshot lets you take screenshots, mark them up, and easily share them. No need to struggle with the "Print Screen" button!
5. **Workona Tab Manager**: If you're having dozens of tabs open, Workona Tab Manager can bring order to the chaos. It organizes your tabs into workspaces, making it simpler to switch between different projects without losing your chain of thought.
6. **Scribe - Knowledge Management**: Ever wished you could save important web articles, blog posts, or research findings in one place? Scribe helps you create your own digital library, making it easy to store, organize, and retrieve information whenever you need it.
7. **ClickUp**: Managing tasks and projects can be a challenge, but ClickUp simplifies the process. This extension combines to-do lists, notes, and calendars, helping you stay on top of your work without juggling multiple apps.

In conclusion, Chrome extensions are like mini applications that can enhance your office work in exciting ways. They save time, boost efficiency, and create a more organized digital environment. So go ahead, explore these extensions, and discover how they can revolutionize the way you work in the modern office landscape.

EVENTS IN RETROSPECT

Day & Date	Committee	Program Name	Speaker / Mentor	Attendance / Views
Friday, 7th July, 2023	Student Committee	ITR Filing for AY 2023-24 (Key Amendments & Common errors while filing returns)	Speaker : Shubh chheda Mentor : CA Hetal Gada	70+ participants
Thursday, 24th August, 2023	Student Committee	Tax Audit for AY 23-24	Speaker : Harshal Gala Mentor : CA Paras Maru	95 participants



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Advisors - CA Atul Bheda | CA Ketan Saiya | CA Nilesh Dedhia

**Preparation of Exams
(Helpline 1)**

MENTORS

CA Ayush Dedhia (AIR - 33)
CA Henil Furia (AIR - 46)
CA Disha Veera

**Bulls Eye - Aim for Rank
(Helpline 2)**

MENTORS

CA Parth Shah (AIR - 9)
CA Vedant Gada (AIR - 37)
CA Hetvi Shah (AIR - 40)

**Time/Stress Management during Exams
(Helpline 3)**

MENTORS

CA Prof. Dipti Chheda
CA Prof. Bhushan Gosar
CA Tirth Gala (AIR - 43)

**Guidance for Articleship/Internship
(Helpline 4)**

MENTORS

CA Viral Satra
CA Kewal Satra
CA Bhavin Dedhia

**Rise Again - Handling Failures
(Helpline 5)**

MENTORS

CA Deepesh Chheda
CA Sohil Gangar
CA Parin Shah

**Dedicated for CS / CMA Course
(Helpline 6)**

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CA Prof. Dimpal Chheda
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