

ERNAKULAM BRANCH OF SOUTHERN INDIA CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION



THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF INDIA

# SICASA

## Ernakulam

OCTOBER '20

**SA 240-THE AUDITOR'S RESPONSIBILITIES RELATING TO FRAUD**

**BY: B YASHWANT**

**CLIMBED THE RING**

**BY: ELIZABETH DIVYA THOMAS**

**DOES THE BANYAN TREE REALLY NEED A PORCH BENEATH IT?**

**BY: DENITA MENDEZ**



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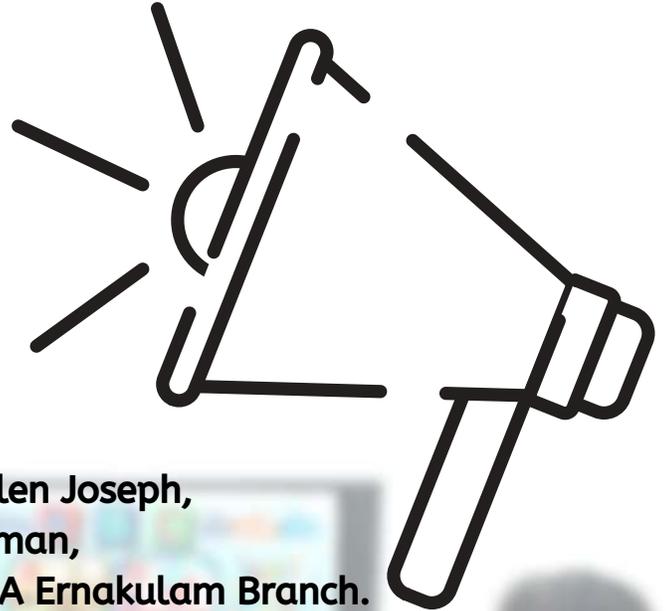
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# Chairman's Message



**CA Allen Joseph,  
Chairman,  
SICASA Ernakulam Branch.**



## **Dear Students,**

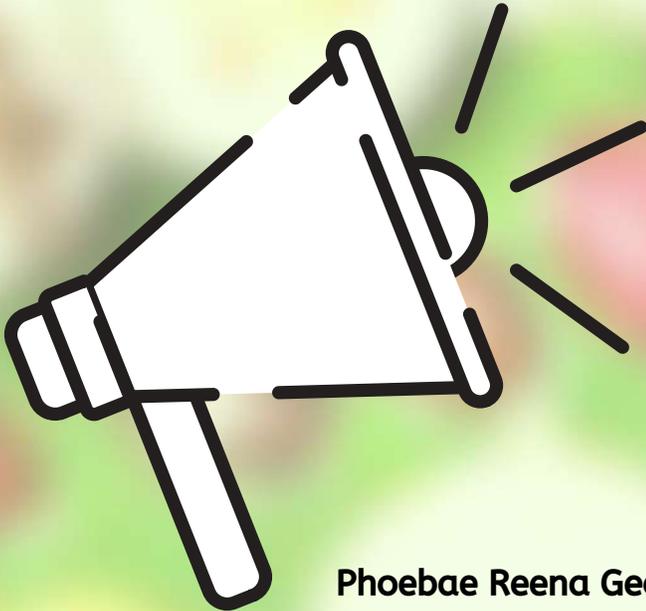
Don't let what you cannot do interfere with what you can do – Wizard of Westwood. My best wishes for students preparing for the upcoming exams. Hope you had a productive October. Now that all uncertainties relating to the exam have been clarified by ICAI we hope you can make your best efforts.

In line with the practice followed every year, SICASA Ernakulam's activities in the month of October was largely limited to help students focus on the exams. Academic sessions for students were limited to a study circle on Time of Supply under GST. The session by Mr. Abhay Rajkumar was well prepared and covered all the important provisions.

To commemorate, 150th Birth Anniversary of Gandhiji and as per the directions received from the office of the Hon'ble President of ICAI to spread the message of Government's flagship programme - Sarva Shiksha Abhiyan (SSA ), our CSR team had an opportunity to distribute stationary kits (comprising of a folder, notebook, pencil, sharpener, eraser , pen, pencil, colour pencil, colouring book) to the underprivileged students of primary and upper primary children in the socially backward areas on October 2nd. CA. Roy Varghese, Chairman, CA. Renjith R Warriar, Vice Chairman and CA. Jose K V, Secretary were present to support this noble initiative.

A session on how to crack CA exams by CA Pavan Kumar is being planned for the first week of November. Being a renowned faculty, his session is bound to be effective and students are advised to make the most of the session. Cultural activities planned for the end of November have been postponed to December on account of the exams. We have to get back on track with an action packed December. Best wishes to everyone. A Happy Diwali too!

# Secretary's Report



**Phoebae Reena George,  
Secretary,  
SICASA Ernakulam Branch**



**Dear friends,**

Time flies when we need it the most. It's been more than half a year since the beginning of SICASA 2020, and I have always enjoyed being part of SICASA. I am sure that SICASA has provided great opportunities, platforms, and knowledge for our betterment. This year we have received Huge support from all of you throughout the conduct of each program. Now we have mastered the art of sitting at home, work from home, etc and we know how to transform even our boredom into something creative.

October month had a history creating program POS POSS 3.0 with Padma Bhushan Mohanlal, a legendary actor being the host of one of the even we conducted jointly with Ernakulam ICAI. The program was a great success, and thanks to all those who supported us throughout this event.

The next program conducted by Ernakulam SICASA was a study circle on Time of supply under GST by Abhay Rajkumar. He did a splendid job of bringing clarity to this topic by explaining every concept in depth.

Meanwhile, running all these events do not prevent us from providing you any kind of support for your exams to come. Crash courses are being conducted for all the levels of students through virtual platforms by renowned faculties. I hope all of you take advantage of these classes and help surmount more in the coming months together by staying together and conducting many more innovative and informative events and programs.

So with the exams coming up, let's focus more on your studies and also continue with the support you have been giving to SICASA and its activities from the beginning.

# Editor's Note



Duke Jose



Poornendu M Nair



Alan Thampi

As the month of October has come to a close, we get closer to the end of this year. On October 2nd, we celebrated Mahatma Gandhi's 151st birth anniversary. He is known as the Father of our Nation. This month's issue is a tribute to our beloved Bapuji.

Mahatma Gandhi was an Indian Lawyer, political ethicist and non-violence enthusiast. He led our country to freedom through the Dandi Salt March, Quit India Movement and finally freedom. Gandhiji's birth anniversary is celebrated by conducting prayer meets, commemorative ceremonies in different cities, colleges and schools all over the country.

This month's newsletter contains a poem about the murky side of every individual. The newsletter also contains a detailed article on SA 240- "Auditor's responsibilities relating to fraud in an audit of financial statements". This standard explains how the material misstatements in the financials due to fraud can be identified, assessed and appropriate procedures to detect can be implemented.

We would like to thank everyone for the immense love and support for all our previous newsletters.

*Thank You.*

## SA 240-The Auditor's Responsibilities relating to Fraud

B Yashwanth, Hyderabad (SRO0580042)

### Introduction:

The standard adopts a Risk-based approach to Auditor's responsibility relating to fraud in an audit of Financial Statements. Standard explains how the material misstatements in the financial statements due to fraud can be identified, assessed and appropriate procedures to detect can be implemented.

### Effective Date:

This SA is effective for audits of financial statements for period beginning on or after April 1, 2009.

### Characteristics of Fraud:

1. Misstatements in Financial Statements can be arise from either Error or Fraud. The distinguishing factor between Error and Fraud is the underlying actions performed by management i.e intentional or unintentional.
2. Two types of intentional misstatements that are relevant to audit are Misstatements resulting from i) Fraudulent Financial Reporting and ii) Misappropriation of Assets.

### Responsibility of Prevention and Detection of Frauds:

1. The Primary responsibility of prevention and detection of frauds is lies with the management.
2. The Management and Those charged with governance should implement the internal controls for prevention of frauds.

### Responsibilities of Auditor:

- An Auditor conducting an Audit in accordance with SA's is responsible for obtaining the reasonable assurance that the financial statements are free from Material Misstatements i.e., From Error or Fraud.

- While obtaining the reasonable assurance, the auditor is responsible for maintaining professional skepticism throughout the audit.
- As inscribed in SA 200, owing to certain inherent limitations of an audit, an Auditor cannot obtain absolute Audit assurance that the Financial Statements are free from material misstatement whether due to Fraud or Error.
- Further, the risk of non detection of fraud is higher than the non detection of Errors. Because, Frauds are intentionally done by Management or Employees and they may involve sophisticated and carefully organized schemes designed to conceal it.
- The requirements in this SA are designed to assist the auditor in identifying and assessing the risks of material misstatements due to fraud and in designing procedures to detect such misstatement.

### Objectives of Auditor:

1. To identify and assess the risks of material misstatement in the Financial Statements due to Fraud.
2. To obtain Sufficient appropriate Audit evidence about the assessed risks of material misstatement due to fraud.
3. To respond appropriately to identified or suspected Fraud.

### Requirements:

- Professional Skepticism: In Accordance with SA 200, Auditor should maintain the professional skepticism throughout the audit, recognizing the possibility of material misstatement due to fraud. If the Auditor cannot believe the records and documents provided by the management then, he must investigate further.

- Risk Assessment Procedures and Related Activities: Perform risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including entity's internal control. The Auditor shall perform the relevant Audit procedures to obtain information in identifying the risks of material misstatements due to Fraud.
  - Discussion among Engagement Team: SA 315 requires discussion among the team members. The discussion shall place particular emphasis on how and where the entity's Financial Statements may be susceptible to material misstatement due to Fraud.
  - Management and Others within the Entity: The Auditor shall make enquiries to management regarding :
    - a) Management's assessment of risk that the financial statements may be materially misstated due to fraud, including nature, extent, and frequency of such assessments.
    - b) Management's process of identifying and responding to the risks of frauds within the entity.
    - c) Enquire those charged with governance whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.
      - Unusual or Unexpected Relationships Identified: The Auditor should evaluate whether there are any unusual or unexpected relationships that have been identified in performing analytical procedures, including those related to revenue accounts, may indicate risks of material misstatements due to fraud.
  - Evaluation of Fraud Risk Factors: The Auditor shall evaluate whether the information obtained from other risk assessment procedures and related activities performed indicates one or more risk factors that may exist. The risk factors exist not only in the case of detected frauds but also which may lead to a fraud.
  - Identification and Assessment of the risks of Material Misstatement due to Fraud: When identifying and assessing the risks of material misstatement due to fraud, the Auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluates which types of revenue, revenue transactions or assertions give rise to such risks.
  - Responses to Assesses Risks of Material Misstatement due to Fraud: In accordance with SA 330, the Auditor shall determine the overall responses to address the assessed risks of material misstatement due to fraud at the Financial Statement level.
- Management Representations: The Auditor shall obtain written representations from management and, where applicable, those charged with governance that :
1. They Acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect Fraud.
  2. They have disclosed to the Auditor their knowledge of fraud or suspected fraud affecting entity involving:
    - a) Management,
    - b) Employees who have significant role in internal control
    - c) Others, where the fraud could have a material affect on the Financial Statements.

Communications to Management and with those charged with Governance:

1. If the Auditor has identified or suspects fraud involving:

- a) Management,
- b) Employees who have significant roles in internal control,
- c) Others, where the Fraud results in material misstatements in the Financial Statements,

The Auditor shall communicate these matters to those charged with governance on a timely basis. If the Auditor suspects fraud involving management, the Auditor shall communicate these suspicions to those charged with governance and discuss with them the nature, timing and extent of Audit procedures necessary to complete the Audit.

Communications to Regulatory and Enforcement Authorities: Further he shall communicate such fraud details to regulatory Authorities if such communication is required

as per Applicable Financial Reporting Framework. (E.g., Sec. 143(12) of Companies Act, 2013)

Auditor Unable to Continue Engagement: As a Result of a Fraud or Suspected Fraud resulting to Material Misstatement, if the Auditor encounters exceptional circumstances that bring into question the Auditor's ability to perform the Audit, The Auditor shall:

- 1. Determine the professional and legal liabilities applicable in the circumstances.
- 2. Consider whether to withdraw from the engagement, where withdrawal from engagement is legally permitted.
- 3. If the Auditor withdraws:
  - a) Discuss with appropriate level of management and those charged with governance, the Auditor's withdrawal from the engagement and the reasons for withdrawal.
  - b) Determine whether there is a legal or professional requirement to report by whom Auditor is appointed.

## Non-Technical Article

# Climbed the ring

Elizabeth Divya Thomas  
(SRO0461305)

Climbed the ring  
thinking it took me up with every movement  
when in fact I was going down  
even before I got to take the glory  
of reaching the top.  
And the darkness that filled my soul  
kept itself away from my eyes,  
as it never welcomed her into it's heart,  
for it had a different and much darker black in it,  
that couldn't be tainted by the dark  
residing inside my soul.

I looked deep into him  
and saw love for my darkness,  
and as he came close  
I felt them crave his soul and I had to pull away,  
to save him,  
from every single demon inside my head.  
As I build the walls,  
my hands were bloodied,  
lifting the bricks, tearing my skin  
and so were his, trying to break them  
as I made them taller and stronger.  
And just when I saw the tears,  
that came rolling down his big eyes,  
his shivering lips and plum nose,  
I stopped and let him in again.

Now I'm numb, I seldom felt him,  
and yet I persisted,  
after having known what my absence did to him.  
He craved my dark  
and I let him in,  
as I know now  
that my dark gave him the kind of joy  
all the lights couldn't offer.

And then I woke up today,  
soil under my feet wet from the rain  
and clouds above my head dark.  
And as I looked at the black  
that loomed over me and then down,  
they were just a few feet away from me  
unafraid and busy,  
going on with their daily routine.  
For a minute I wished I was one of them,  
with air under my wings,  
and the cold breeze calming my sore eyes,  
flying to a distant land with no worries,  
where my darkness will soon fade into light.

And then as I stood still,  
lost in my own head,  
a drop or two of the rain splattered on my skin.  
I looked up at the sky and then the birds,  
and was at once reminded,  
that the sky isn't always kind to them,  
everything they have to endure,  
to get out alive when the worst hit them,  
turning my desire to pity.  
And yet their behaviour took me by surprise,  
waking up when the sun does  
prowling and hunting for a day's food.  
'What are they thinking?' I wonder  
Aren't they afraid of the rain and lightning  
Or do they measure their life each morning  
like most people does.

As I contemplated the beauty of the doves,  
I found a pair of eyes staring at me.  
My clothes were all intact,  
and yet his eyes graced my body like I was  
naked.

One too many eyes have touched me,  
and the fear that usually followed  
is now replaced with disgust.  
As long as the hands are far away to harm me  
I don't much bother about  
the vivid fantasies in his stale brain,  
and I'd rather not find out.

The wind brushed my face smoothly,  
not messing up my partly loose hair.  
Even the wind was kinder to me,  
soothing me with her slow strokes.  
It caught my attention  
As I looked at the road in front  
through the glass,  
covered in a blurry blanket of water droplets  
from the rain that poured with the first light.  
Three pots with green and one was alive,  
holding three or more different kinds of plants  
I can't name, of which  
one looked like Tulsi,  
and as much as it resembled Tulsi,  
it also didn't resemble Tulsi.  
I couldn't tell from the distance,  
and I hate it when things lack clarity,  
when people lack clarity,  
for I've known from experience that  
what's shown may not be real.  
The chameleons dropped their eyes in shame  
before the sapiens who surpassed it's skills.  
It's ironic that most people  
can't seem to make a decent living,  
but can easily manage to pull out different  
faces.

Face of a friend  
Face of an enemy  
Faces of deception  
And yet, have I grown tired of this world?  
No.

I crave life and everything lively,  
perhaps the force that keeps me more on  
earth than gravity ever did.

# Does the banyan tree really need a porch beneath it?

By Denita Mendez

SRO0604139

The age-old folk song 'Aalayal Thara venam' is something strongly cemented in the mind of most Malayalees to have walked the earth. With its incomparable rhythm, combined with the simplicity of the lyrics, it is no wonder that the song gets passed on from generation to generation. Yet, in the wake of the changing world in the 21st century, should all what is proposed by the song be imbued without a word against? Musician Sooraj Santhosh tries to answer this question in his remastered version, alongside Shruti Namboodiri.

"Poovaayal manam venam; Poomaanenna ganam venam; Poomaaninimaarkalaayal othukkam venam..."  
(A flower must be fragrant, a man must have virtues and a beautiful girl should be obedient)

It was in 2016 that 'Masala Coffee' did their take on the song, as a tribute to womanhood. Most of us danced to its captivating tunes, without giving too much thought into the lines. However, it is clear as the light of day that most points put forward by the song as sort-of-'principles' do not go along with the evolving world- something which they try to clarify right at the beginning, with a quote of 'For the times they are a-changin' by Bob Dylan.

What the traditionalist has to brace themselves for, is, the total rehashing of the lyrics. For instance, the artists try to make us aware that gone are the days of the monarchy, where the overlord was surrounded by his yes-men, any naysayer having to fear for their life. There is no need for the division of the society into the king and his subjects; what the country needs is good policies and good citizens in order to thrive and let peace come over the realm- a point made by the new version, and may I say, nailed it. The song also calls out on the folly of strife, be it wars at the border or your everyday scuffle- an argument that didn't sit right with most 'greying heads'. It also calls out on the obsession with big fat weddings, where it is considered inappropriate if the bride is not covered from head to toe with gold.

However, one of the best points made by this remastered version is the bashing of the patriarchal norms which expect women to be meek, sweet little things, their world revolving around the home and hearth. In the 21st century, where women are educated and earn as much as men (if not more), it is high time that a change be welcomed, starting from something as old as a folk song, being around for at least a century.

The artists aim for a retelling of the piece, without damaging the energy of the song in the slightest, and they have succeeded. More importantly, they make the listeners question themselves, on whether the stereotypes and the discriminations put forward by the song be still upheld, and a citizen of the 21st century in his/her right mind cannot bring himself (herself) to disagree. It is high time we learn to unlearn the wrongs of the past and do things differently.

# FOCUS

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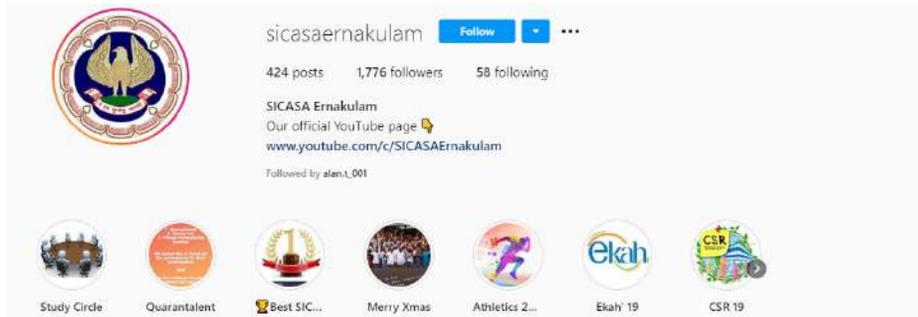
Study Circle By Abhay Rajkumar



Leaving a Legacy, Special Edition talk show with Padma Bhushan Mohanlal

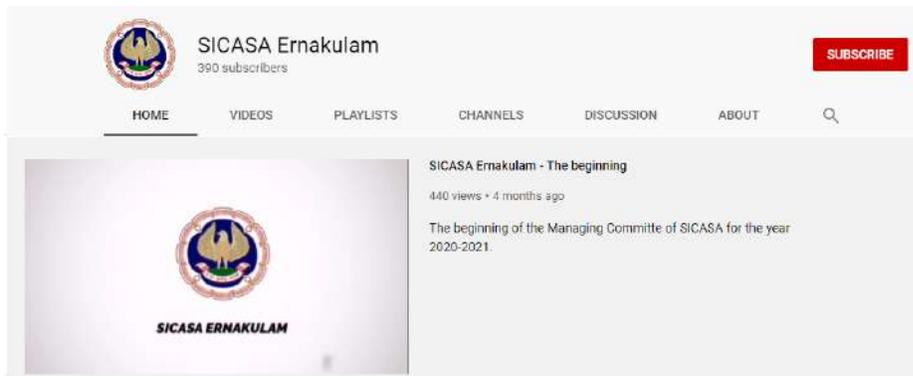
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