

DRAFT CIRCULAR FOR PUBLIC COMMENTS

Management Statement and Auditor's / Independent Practitioner's Report on digital assurance based on information obtained from external data repositories

Background

1. The Auditing and Assurance Standards Board (AASB) and Digital Accounting and Assurance Board (DAAB) of The Institute of Chartered Accountants of India (ICAI / institute), have jointly brought out a "Technical Guide on Digital Assurance" to provide guidance to its members to adopt enhanced use of technology in audit by implementing the use of digitally available audit evidence and information.
2. The aforesaid Technical Guide primarily focuses on sources of external audit evidence and information available and how the same can be utilized by the members in their audit procedures. It is noted that the Technical Guide in itself does not require any separate reporting by auditors on these aspects. Further, no responsibility is cast on the management of listed entity to provide this information obtained from external data repositories to auditors or provide access to such information to auditors.
3. In light of aforesaid Technical Guide, SEBI held consultations with members of Primary Market Advisory Committee (PMAC) to deliberate on requirement of a separate report on digital assurance of financial statements issued by listed companies.
4. In respect to financial reporting being done by listed companies, it may be noted that Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "LODR Regulations") has specified various requirements with respect to submission of financial results *inter alia* covering requirements on formats of financial results and timelines regarding submission of financial results etc.
5. As a continuous endeavour to enhance the quality of financial reporting being done by listed companies and in order to provide greater investor protection, it is proposed to mandate a separate report on digital assurance of financial statement. The report will increase transparency, improve disclosure standards and enable better enforcement, and thereby provide greater investor protection and trust in the ecosystem.
6. Based on ICAI feedback, cost of this report may not be high as a proportion of total audit fees, incurred by the company.
7. A draft Circular on this subject along with format of reporting is paced at **Annexure A**.

Public Comments:

Public comments are sought on draft circular on “*Management Statement and Auditor’s / Independent Practitioner’s Report on digital assurance based on information obtained from external data repositories.*” placed at **Annexure A**. The comments/ suggestions should be submitted latest by **February 24, 2025**, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

In case of any technical issue in submitting your comment through web based public comments form, you may write to consultationcf@sebi.gov.in with the subject: "Public comments on Draft Circular - Management Statement and Auditor’s / Independent Practitioner’s Report on digital assurance based on information obtained from external data repositories".

Issued on: February 03, 2025



DRAFT CIRCULAR

CIR/CFD/PoD/**/2025

____, 2025

To
All Listed Entities
All Nationwide Stock Exchanges

Dear Madam / Sir,

Sub: Management Statement and Auditor's / Independent Practitioner's Report on digital assurance based on information obtained from external data repositories.

1. In order to enable investors to take well-informed investment decisions, timely, adequate and accurate disclosure of financial results on a periodical basis is critical. Towards this end, Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter "LODR Regulations") has specified various requirements including formats and timelines, with respect to submission of financial results viz., quarterly / annual financial results (audited / unaudited), limited review of unaudited financial results, disclosure of impact of audit qualifications etc.
2. The Institute of Chartered Accountants of India (ICAI), have brought out a "*Technical Guide on Digital Assurance*" to provide guidance to its members to adopt enhanced use of technology in audit by implementing the use of digitally available audit evidence and information.
3. The Digital Assurance report is expected to create greater transparency and trust in the financial disclosures made by the listed companies.
4. Based on discussions with market participants, it has been decided that based on the aforesaid Technical Guide, a framework for Management Statement and Auditor's / Independent Practitioner's Report on digital assurance based on information obtained from external data repositories, be mandated.
5. The key aspects of aforesaid Management Statement and Auditor's/ Independent Practitioner's Report is as given below:
 - (i) The format for Management Statement is given in the **Annexure I** to this circular.

- (ii) Management's Responsibility for the Statement: The preparation of the Statement is the responsibility of the Management of the Company including the creation and maintenance of all accounting and other records supporting its contents. The Management of listed companies shall be responsible for:
- a. providing access of external data repositories available with the company to auditor;
 - b. ensuring that the Company provides complete and accurate information as per the requirements of the LODR Regulations, 2015;
 - c. compliance with the LODR Regulations, 2015, and laws and regulations as applicable and relevant for the purpose of the Report;
 - d. maintenance of the accounting and other records in relation to point (a) and (c) above; and
 - e. the information furnished in Column G of the Statement which has been considered by management while preparing financial statements for the financial year (i.e. relevant financial year for which this report is prepared).
- (iii) Auditor's / Independent Practitioner's Responsibility: To examine the Statement and the underlying audited financial statements and related books and records and report whether:
- a. the financial information set out in Column C of the Statement is in agreement with the books and records of the Company;
 - b. the financial information set out in Column D of the Statement has been accurately extracted on the date mentioned in Column E of the Statement from the External Regulatory Information Source described in Column A of the Statement; and
 - c. the computation of the amounts set out in Column F of the Statement is arithmetically accurate.

Auditor shall conduct examination in accordance with the "Technical Guide on Digital Assurance" issued by the Institute of Chartered Accountants of India.

- (iv) Report shall be prepared by an auditor (Statutory Auditor or Independent Practitioner) who has subjected himself /herself to the peer review process of Institute of Chartered Accountants of India and holds a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.
- (v) Reporting on digital assurance shall be applicable on Top 100 listed entities by market capitalization from Financial Year 2024-25 onwards i.e. for the period ending on or after March 31, 2025.

(vi) The listed entity shall submit management statement and auditor's report on digital assurance to stock exchanges by 31st July (i.e. by July 31, 2025 for FY 2024-25 and thereafter by July 31 for the relevant financial year).

6. Any delay in compliance with the timelines as mentioned above will attract fine as applicable in case of non-compliance with provisions of Regulation 33, as specified under Section VII-A of Master circular dated July 11, 2023, for compliance with the provisions of LODR Regulations by listed entities.
7. The stock exchanges are advised to bring the provisions of this circular to the notice of listed entities and also to disseminate the same on its website.
8. This circular is being issued in exercise of the powers conferred under section 11 read with section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulation 33 and Regulation 101(2) of the LODR Regulations, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
9. This circular is available on SEBI website at www.sebi.gov.in at "Legal Framework→Circulars"

Yours faithfully,

Annexure I

Format of Management Statement and Auditor's/ Independent Practitioner's Report on digital assurance in compliance with the "Technical Guide on Digital Assurance" of The Institute of Chartered Accountants of India (ICAI)

Statement containing compliance of conditions of Regulation 33 of LODR Regulations, 2015 of [Name of the Company]						
External Regulatory Information Source	Description	Amount as per Books of Account	Amount as per External Regulatory Information Source	Date on which the External Regulatory Information source was noted by the auditor/ independent practitioner	Reconciling items (C-D)	Management Explanation*
(A)	(B)	(C)	(D)	(E)	(F)	(G)*
<p>Note:</p> <ul style="list-style-type: none"> i. The External Regulatory Information Sources mentioned in Column A and description items in Column B, below are <u>illustrative in nature</u>. ii. The "Technical Guide on Digital Assurance" issued by the ICAI also covers illustrative list of External Information Sources which may be perused by the Companies/ Auditors to determine external sources to be covered in this report. iii. Companies /Auditors should also include further External Information Sources from Regulatory Portals as available and relevant to its business activity (if any). iv. Companies /Auditors are required to evaluate the reliability and relevance of External Information Sources in compliance with the "Technical Guide on Digital Assurance" issued by the ICAI. 						
Goods and Services Tax Portal	Transactions:					

**Statement containing compliance of conditions of Regulation 33 of LODR Regulations, 2015 of
[Name of the Company]**

External Regulatory Information Source	Description	Amount as per Books of Account	Amount as per External Regulatory Information Source	Date on which the External Regulatory Information source was noted by the auditor/ independent practitioner	Reconciling items (C-D)	Management Explanation*
https://services.gst.gov.in/services/login	Revenue from operations (Goods and Services)					
EDPMS/IDPMS report	Export Receivables covered under EDPMS					
(Based on report from Authorised Dealer Bank)	Import Payables covered under IDPMS					
TRACES Portal	Form 26 AS (Data updated till date ____)					
https://www.tdscpc.gov.in/en/home.html	Total Tax Deducted at source					
	Total Tax Collected at source					

**Statement containing compliance of conditions of Regulation 33 of LODR Regulations, 2015 of
[Name of the Company]**

External Regulatory Information Source	Description	Amount as per Books of Account	Amount as per External Regulatory Information Source	Date on which the External Regulatory Information source was noted by the auditor/ independent practitioner	Reconciling items (C-D)	Management Explanation*
Income tax e-portal	Annual Information Statement (AIS) (Data updated till date ____)					
https://www.incometax.gov.in/iec/foportal/	Payment of taxes					
Employees' Provident Fund Organisation Portal	Total Contribution to provident fund (Employer+ Employee) (for employees covered under EPFO)					
https://unifiedportal-epfo.epfindia.gov.in/publicPortal/no-auth/misReport/home/loadEstSearchHome						

* The explanation furnished in **Column G** have been considered by the management while preparing financial statements for the year ended [date].

Initials of auditor/independent practitioner

Signed on behalf of the Company by

.....

(Signature)
Name and Designation

Place:

Date: