

Digital assurance: A joint responsibility of the management and the auditor

What is Digital Assurance?

It is an assurance to the stakeholders reinforced by adopting enhanced use of technology in audit by implementing the use of digitally available audit evidence and information. Recently, the Securities and Exchange Board of India ('SEBI') issued a consultation paper that proposes to mandate a separate report on digital assurance of financial statements by listed companies. This paper is published in the light of ICAI's 'Technical Guide on Digital Assurance' issued in 2023.

Background

Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations ('LODR Regulations') specify various requirements for submission of financial results inter alia covering the formats and timelines for submission of financial results. To enhance the quality of reporting being done by listed companies, it was felt necessary to mandate a separate report on digital assurance of the financial statements. The proposed report aims to increase transparency, improve disclosure standards, enable better enforcement, and thereby provide greater investor protection and trust in the financial ecosystem.

Key features of the digital assurance report

- 1. Title:** '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. This is a Management Statement-cum-Auditor's Report which is to be prepared by the listed entity's management and examined by the auditor/independent practitioner.
- 2. Applicability:** Digital assurance reporting shall apply to the top 100 listed entities by market capitalization from financial year ('FY') 2024-25 onwards i.e. for the period ending on or after 31 March 2025. The listed entity shall submit the 'Management statement and auditor's report on digital assurance' to the concerned stock exchanges for FY 2024-25 by 31st July 2025 (and so on for every FY).
- 3. Management's responsibility:** The preparation of the 'Statement' is the responsibility of the management including the creation and maintenance of all accounting and other records supporting its contents.
- 4. Auditor's/Independent Practitioner's responsibility:** Examining the Statement and the underlying audited financial statements and related books/ records is the responsibility of the auditor/independent practitioner. The auditor/independent practitioner needs to report whether the amount mentioned in the Statement is in agreement with the books of account and records. The auditor/independent practitioner shall conduct such examination in accordance with the 'Technical Guide on Digital Assurance' issued by the Institute of Chartered Accountants of India.
- 5. Eligibility of the auditor/independent practitioner:** The auditor/independent practitioner must be a peer-reviewed professional in terms of ICAI's peer review process and must hold a valid certificate issued by the Peer Review Board of ICAI.
- 6. Format:** The Statement has a columnar format as illustrated below:

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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)
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 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					

https://www.sebi.gov.in/reports-and-statistics/reports/feb-2025/consultation-paper-on-draft-circular-for-management-statement-and-auditor-s-independent-practitioner-s-report-on-digital-assurance-based-on-information-obtained-from-external-data-repositories_91557.html

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Therefore

In its yet another endeavour to enhance the quality of financial reporting, SEBI has proposed to come out with the digital assurance report requiring a joint action by the management and its auditors to prepare and report its contents. The digital assurance report is expected to create greater transparency and trust in the financial disclosures made by the listed companies.

The consultation paper is open for public suggestions till 24 February 2025.