

Know Your ICAI – Series 4



CA. PRAMOD JAIN

B. COM (H), FCA, FCS, FCMA, LL.B, DISA, MIMA, IP

Namaste

To know more about ICAI, in Series – 4 we would discuss in brief about **Financial Reporting Review Board (FRRB)** and the observations made by it.

The Financial Reporting Review Board (FRRB) was constituted as a Non Standing Committee by the Council of the Institute in July 2002 to give guidance to auditors and preparers of financial statements being the members of the Institute by review of General Purpose Financial Statements of enterprises.

Its scope includes creating awareness regarding compliance with ASs, SAs, Statement on CARO and other reporting obligations relevant to various enterprises among the preparers and auditors of financial statements.

Various regulators including SEBI, RBI, MCA, IRDA, etc in its endeavour to improve financial reporting practices of listed enterprises refers cases to FRRB for its review. Enterprises which are within the purview of FRRB are:

1. Entities whose equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.
2. Banks (including co-operative banks), financial institutions or entities carrying on insurance business.
3. All commercial, industrial and business reporting entities, whose 'net worth' exceeds Rs. 250 Crores in the immediately preceding accounting year.
4. Holding and subsidiary entities of any one of the above.
5. Such other enterprise or category of enterprises, for which any information relating to non-compliance of GAAP in the preparation and presentation of financial statements, non-compliance of the disclosure requirements prescribed by regulatory bodies, statutes and rules and regulations relevant to the enterprise and non-compliance of the reporting obligations of the enterprise and the auditor brought to its notice, which in the opinion of the Board may be undertaken for public interest.

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The review by the FRRB is conducted in three stages:

- I. By a Chartered Accountant being **Technical Reviewer**
- II. By a group of Chartered Accountants, generally based at common city, **Financial Reporting Review Group**
- III. By the **Board**

After the review of the financial statements FFRB may:

- Refer the case of Director (Discipline) ICAI
- Inform irregularity to the regulatory body relevant to the enterprise
- Bring the non-compliance to the attention of the auditor by way of advisory

Total cases reviewed by FRRB as on date of this publication are as under:

Cases considered and finalised by the Board till date	820
Cases referred to Director (Discipline) of ICAI for further action where serious non-compliances observed	134
Cases referred to Regulators (MCA, SEBI, IRDAI) relevant to the enterprises	130
Issued advisories to Auditors where major non-compliances observed	511

With a view to apprise the members of the Institute and others concerned about the non-compliances observed during the review, note on non-compliances are published by the FRRB in ICAI Journal. Also the following publications have been released by FRRB which contains pertinent observations of the Board on compliance aspects of various Financial Reporting Requirements. The three volumes contain the following:

Volume	Cases	Observations
I	110	368
II	137	808
III	223	1204

These observations could be of great help to enterprises in preparation of financial statements as well as auditors conducting audit of these financial statements. All these observations are available at https://www.icai.org/post.html?post_id=6622

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Members should extensively use the online availability of these observations to improve the quality of audit and preparation of financial statements.

I hope this document is of use to you. Your suggestions and comments would be highly appreciated

Best Regards

CA. PRAMOD JAIN

B. COM (H), FCA, FCS, FCMA, LL.B,

DISA (ICAI), MIMA, INSOLVENCY PROFESSIONAL

10th May 2019