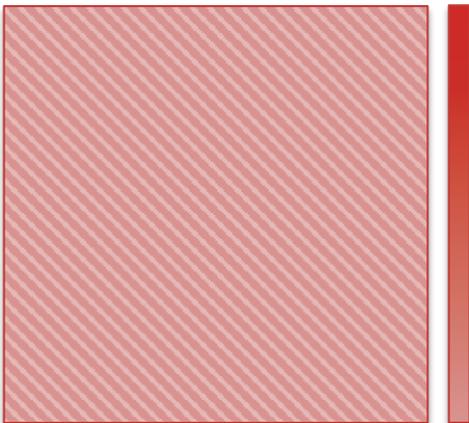
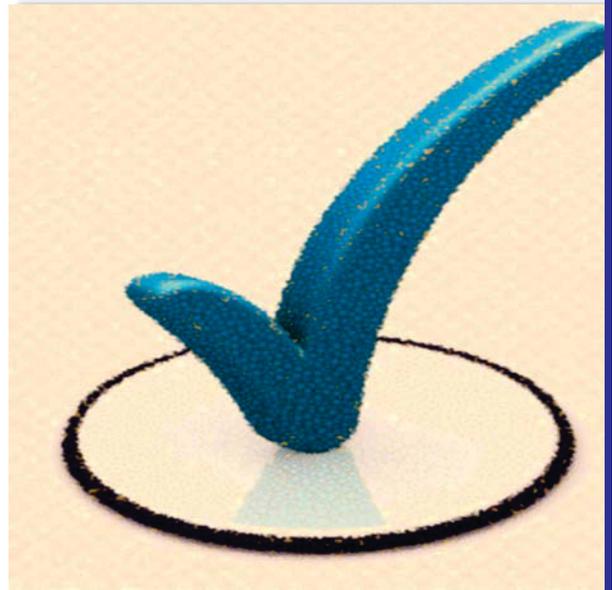


Report on Audit Quality Review

2018-19



QUALITY REVIEW BOARD

(Established under an Act of Parliament)

In Pursuit of Professional Excellence of Chartered Accountants in India

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<http://www.qrbca.in>

October, 2019



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From the Chairperson's Desk

Cases of financial irregularities continue unabated, both in India and abroad, bringing to the forefront yet again concerns over the need to improve audit quality. Reports of resignations of auditors to swift actions from various regulatory bodies against auditors continue to grab headlines on a routine basis these days. There are several issues that need to be debated thoroughly for bringing out sustained improvement in the quality of auditing and the overall corporate governance. What impact does it have on the overall audit market environment in the country? How the issues like auditor independence, audit fees, manner of appointment impact audit quality? One also needs to examine what has been the role of company's management, audit committees, independent directors, rating agencies and so on and so forth. There is a need for concerted efforts to address systemic issues that have a bearing on the entire structure. We also need to learn from international experience of dealing with audit failures.

Last year, Financial Reporting Council of the UK had also expressed concerns over falling audit quality and partly attributed this deterioration to a failure to challenge management and show appropriate professional skepticism. IFIAR Survey of its Members' Inspection Findings 2018 showed that highest frequency of inspection findings were reported by IFIAR Members in the area of Accounting estimates including fair value measurement followed by internal control testing, adequacy of financial statement presentation and disclosure, revenue recognition and audit sampling. It is also argued sometimes that one of the causes of accounting scandals worldwide is the switch in accounting standards from historical cost to emphasis on asset fair value, which gives greater discretion to the judgment of companies' senior management.

Exercising professional scepticism is a critical part of conducting quality audits. The auditor must critically assess, with a questioning mind, the validity of the audit evidence obtained and management's judgements on accounting estimates and treatments. Auditors should not be over-reliant on, or readily accept, the explanations and representations of the management of audited entities without challenging matters such as key underlying assumptions, or seek out evidence to corroborate estimates or treatments. If written representations are inconsistent with other audit evidence, the auditor should perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, the auditor should reconsider the assessment of the competence, integrity, ethical values or diligence of management, or of its commitment to or enforcement of these, and should determine the effect that this may have on the reliability of their representations and audit evidence, in general. All this debate has, in any case, reinvigorated the need to continue to improve the audit standards and their implementation. We, at the Quality Review Board, had requested the Institute to develop video lectures for guiding the members on implementation of SAs. I am pleased to inform that ICAI has released video lectures on all Engagement and

Quality Control Standards at newly launched digital learning platform of ICAI “Digital Learning Hub” at the website of ICAI (<https://learning.icai.org/elearning>).

Earlier, Ministry of Corporate Affairs had clarified to QRB that, in view of Section 132(2) of Companies Act, 2013 r/w Rule 9(4) of NFRA Rules, 2018, the issue of QRB reviewing audits of companies/bodies corporate specified under Rule 3 of NFRA Rules, 2018 will only arise in case a reference is so made to QRB by NFRA, and not otherwise. Accordingly, QRB would now be able to initiate reviews of quality of audit services provided by members of the Institute in respect of entities other than those specified under Rule 3(1) of NFRA Rules, 2018, namely, private limited companies, unlisted public companies below the thresholds specified under Rule 3(1) of NFRA Rules, 2018, other entities not specified under Rule 3(1) of NFRA Rules, 2018; and those referred to QRB by NFRA under Rule 9(4) of NFRA Rules, 2018. However, in the meanwhile, QRB has also been completing its on-going reviews of top listed and other public interest entities which were in process. We are also revisiting our Procedure for conducting quality reviews aligning it with our revised mandate and in view of the experience gained during reviews.

During financial year 2018-19, QRB completed its reviews of audit quality of 51 entities in India. The present report highlights the key findings observed in the audit quality reviews conducted during financial year 2018-19 indicating our approach for review, key trends, our expectations and other focus areas. I hope the concerned stakeholders will find this Report useful. Now, it is for the concerned Audit firms to take remedial actions for the deficiencies highlighted as well as identify the root causes thereof and improve themselves. **I would also like to inform that out of all the cases so far recommended by the QRB to the ICAI Council, in 5 cases, *prima facie* opinion of Disciplinary Directorate, has found them to be ‘guilty’ and these cases are at the hearing stage now before appropriate authorities.**

I would like to take this opportunity to thank, in particular, Mr. Injeti Srinivas, Secretary, Ministry of Corporate Affairs, CA. Prafulla P. Chhajed, President, ICAI and CA. Atul Kumar Gupta, Vice-President, ICAI for their continuous overall support and guidance in spearheading the activities of Board. I also thank all Members and special invitees of Quality Review Board and all Members of Quality Review Group for their invaluable contribution. I also highly appreciate role of Mr. Rakesh Sehgal, Acting Secretary, ICAI, CA. Mohit Baijal, Secretary, QRB, CA. Sharwan Baluni and all other staff of QRB Secretariat who provided excellent support to Board including in finalization of this Report.

Yours sincerely,



Parvinder Sohi Behuria

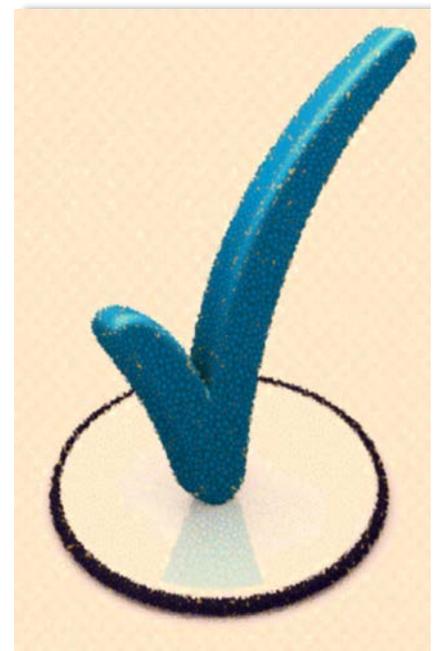
Dr. (Mrs.) Parvinder Sohi Behuria
Chairperson, Quality Review Board

Place: NOIDA

Date: 09.10.2019

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Composition of the Board

The current composition of the Quality Review Board, established under the Chartered Accountants Act, 1949 consists of the following:-

Nominees of the Central Government

1. Dr. (Mrs.) Parvinder Sohi Behuria, IRS (Retd.), Gurugram – Chairperson (wef 30.11.2018)
2. Mr. Rajat Sethi, Advocate, Mumbai – Member (wef 12.07.2016)
3. Mr. Manoj Pandey, Joint Secretary, Ministry of Corporate Affairs, Government of India, New Delhi – Member (wef 30.09.2019)
4. Ms. Barnali Mukherjee, Chief General Manager, Securities and Exchange Board of India, Mumbai – Member (wef 30.09.2019)
5. Ms. Ritika Bhatia, Principal Director (Commercial-II), Office of the Comptroller & Auditor General of India, New Delhi – Member (wef 30.11.2018)
6. Mr. Mahendra Khandelwal, Additional Government Advocate, Ministry of Law and Justice, Department of Legal Affairs, New Delhi – Member (wef 12.07.2016)

Nominees of the Council of the ICAI

7. CA. Nilesh S. Vikamsey, Mumbai– Member (wef 17.04.2017)
8. CA. Dhinal A. Shah, Ahmedabad– Member (wef 17.04.2017)
9. CA. M. P. Vijay Kumar, Chennai – Member (wef 17.04.2017)
10. CA. (Dr.) Debashis Mitra, Guwahati – Member (wef 17.04.2017)
11. CA. Sanjay Vasudeva, New Delhi – Member (wef 17.04.2017)

Special Invitees

- Mr. Chandra Wadhwa, Council Member, ICAI, New Delhi – Special invitee (nominated by the Central Government wef 10.06.2016)
- Mr. Rakesh Sehgal, Acting Secretary, ICAI, New Delhi – Special invitee

Secretary to the Board

- CA. Mohit Baijal, Deputy Director, ICAI

Our Approach

Quality Review Board (QRB) reviews all aspects of how an audit was performed in entities selected on a risk based approach. QRB ensures to avoid conflict of interest of all persons involved in review exercise and maintains confidentiality of information obtained.

While cases of material non-compliances and those requiring significant improvement are recommended to the Council of the ICAI for taking necessary action, in other cases, requiring improvement, QRB issues advisories to Audit firms for improvement which are subsequently followed-up for compliance.

With a view to providing greater independence to the QRB, the ICAI Council has *suo-motu* decided to recommend to the Central Government for making appropriate amendments in Section 28B of the Chartered Accountants Act, 1949 so that the recommendations of the QRB for taking disciplinary action against the member/s can directly be referred to the Disciplinary Directorate instead of placing the same first before the Council. The Council also decided that till the appropriate amendments in the Act are made, such recommendations of the QRB be directly forwarded to the Disciplinary Directorate in line with the procedure being followed by Financial Reporting Review Board (FRRB) constituted by it and simultaneously be also placed before it for its noting.

In order to provide guidance to the Audit firms for ensuring improvement in the quality of their services, QRB publishes periodic reports, on an annual basis, providing key audit quality review findings in an aggregated manner and also issues necessary guidance to the Audit firms for improvement and identification of root causes thereof. These reports are publicly made available for free at QRB website.

QRB has developed a strong system of independent review of statutory audit services of the Audit firms based upon best international practices.

Our Expectations

Audit firms should continue their efforts to improve audit quality on a consistent basis. Audit firms should address the non compliances identified during the review by performing root-cause analysis. This will help them prevent these issues from reoccurring. We encourage all the Audit firms to take note of the key findings and trends published annually in QRB's 'Report on Audit Quality Review' which are available at QRB website at <http://www.qrbca.in/left-menu/qrb-reports-publications/>.

How we select Audit firms for Review

Quality Review Board continued to adopt risk based approach for selection of audit engagements for initiating audit quality reviews during the F.Y. 2018-19. In view of the clarification received from the Ministry of Corporate Affairs that, in view of Section 132(2) of the Companies Act, 2013 r/w Rule 9(4) of NFRA Rules, 2018, the issue of QRB reviewing audits of the companies/bodies corporate specified under Rule 3 of the NFRA Rules, 2018 will only arise in case a reference is so made to QRB by NFRA, and not otherwise.

Accordingly, QRB would now be able to initiate fresh reviews of the quality of audit services provided by the members of the Institute only in respect of entities other than those specified under Rule 3(1) of NFRA Rules, 2018; and those referred to QRB by NFRA under Rule 9(4) of NFRA Rules, 2018. Therefore, during FY 2018-19, QRB selected private limited companies not falling under Rule 3(1) of NFRA Rules, 2018 for initiating their quality review. The top private limited companies, not falling under Rule 3(1) of NFRA Rules, 2018, and having turnover above Rupees 1000 crore during the financial year ending on 31.03.2018 were selected following risk based approach from various industries susceptible to risk. However, in the meanwhile, QRB has also been completing the on-going reviews of top listed and other public interest entities which had already started and were in process.

The statutory auditors for the year ending on 31.3.2018 in respect of the companies so selected as per above, were identified for their audit quality review. Generally, maximum of five audit engagements in respect of a particular Audit firm are selected for review during the year. However, in certain cases, more than five audit engagements of an Audit firm may also be selected for review, on case to case basis. Further, in the absence of adverse observations noted by the Board in the past, generally, not more than one audit file of an engagement partner in an Audit firm is selected in one particular year. However, in certain cases, more than one audit file of an engagement partner in an Audit firm may also be selected by the Board, on case to case basis. In case of a joint central statutory audit of a selected entity, normally, each one of the joint central statutory auditors are selected for review.

The Board assigns the audit quality review work, so selected, to the respective Technical Reviewers empanelled with the Board.

How we conduct Audit Quality Review

Quality Review Board (QRB) has constituted Quality Review Group-I (QRG-I) to conduct preliminary reviews with a view to assessing the quality of audit and reporting by the auditors. QRG-I is assisted by Technical Reviewer/s (TRs), who are empanelled by the QRB on engagement basis from across the country. These TRs are practicing professionals and possess requisite experience and expertise essential to carry out the reviews. The job of the TRs is to conduct on-site and off-site review and prepare a report with a view to assessing the quality of audit and reporting by the auditors, and the review of quality control framework adopted by the auditors/ auditing firms in conducting audit. The TR, based upon the conclusions drawn from the review, shall first issue a preliminary report to the Audit firm for their reply on his observations and subsequently, based upon the replies of the Audit firm, he issues the final report to the QRB and Audit firm. Audit firm is once again provided an opportunity to submit its response on the observations in the final report to the QRB. The report, so prepared by the TR, alongwith the submissions of the Audit firm thereon, are considered at the meetings of the QRG-I. The QRG-I may also consult the QRB on any issue, on which it feels that the guidance of the QRB is necessary. The QRG-I completes the review of cases referred to it and submits its recommendations to the QRB.

Based on the QRG-I's recommendation, the QRB decides to (a) accept the report and close the case if the quality of audit and reporting was found to be acceptable; or (b) recommend the case to the Council of the ICAI for referring to Disciplinary Directorate for necessary action in cases of material non-compliances/ violations and requiring significant improvement; or (c) issue advisory to the concerned Audit firm for compliance in other cases requiring improvement which are subsequently followed-up for compliance and improvement. With a view to providing greater independence to the QRB, the ICAI Council has *suo-motu* decided to recommend to the Central Government for making appropriate amendments in Section 28B of the Chartered Accountants Act, 1949 so that the recommendations of the QRB for taking disciplinary action against the member/s can directly be referred to the Disciplinary Directorate instead of placing the same first before the Council. The Council also decided that till the appropriate amendments in the Act are made, such recommendations of the QRB be directly forwarded to the Disciplinary Directorate in line with the procedure being followed by Financial Reporting Review Board (FRRB) constituted by it and simultaneously be also placed before it for its noting.

The QRB has specified the format for the Final Report, and the Quality Review Program General Questionnaire containing questions concerning various aspects of an Audit firm such as Quality control, ethical requirements & audit independence; leadership and responsibilities; assurance practices; client relationships & engagements; human resources, consultation; differences of opinion; engagement quality control review; engagement documentation; audit planning & risk assessment; materiality; audit sampling & other selective testing procedures; audit documentation; audit evidence; written representations; Auditor's report; and financial statements review.

Independence of the TR and also the members of the review team vis a vis the Audit firm as well as the auditee is imperative. Accordingly, TRs are required to fulfil, *inter alia*, the following conditions:

- a) TR does not have any disciplinary proceeding under the Chartered Accountants Act, 1949 pending against him or any disciplinary action under the Chartered Accountants Act, 1949 / penal action under any other law taken/pending against him during last three financial years and/or thereafter.
- b) TR or his/her firm or any of its network firms or any of the partners of TR's firm or that of the network firms should not have been the statutory auditor of the company/entity under review or have rendered any other services to the said company/entity during the last three financial years and/or thereafter.
- c) TR or his/her firm or any of its network firms or any of the partners of TR's firm or that of the network firms should not have had any association with the audit firm under review, during the last three financial years and /or thereafter.
- d) TR complies with all the eligibility conditions laid down for appointment as an auditor of the company/entity under review under section 141(3) of the Companies Act, 2013 so far as applicable.

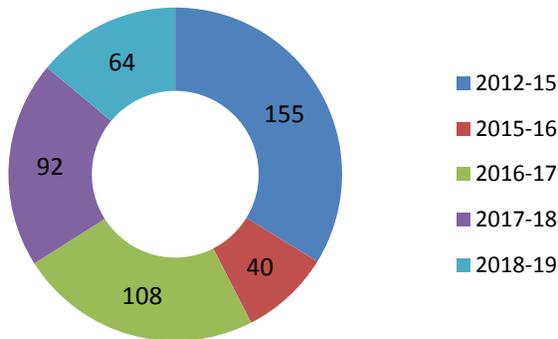
Further, while assigning the quality review work to the respective Technical Reviewers, in order to ensure independence and avoid conflict of interest, in most of these cases, as far as possible, the Technical Reviewers hailing from different city/region are selected than the city/region of Head Office of the selected Audit firm.

TRs are also required to submit declaration for independence and eligibility of each one of his assistants, if any.

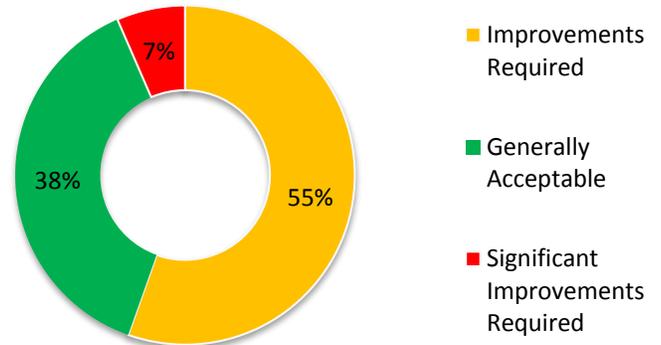
The QRB considers confidentiality of information pertaining to the quality review assignments to be of paramount importance. Accordingly, TR as well as all the members of the review team are required to submit a confidentiality declaration.

Overall Trend of Audit Engagements Reviewed FY 2012-13 to FY 2018-19:

Number of Audit Engagements Reviewed



Findings of Audit Engagements Reviewed



Action Taken during FY 2012-13 to FY 2018-19:

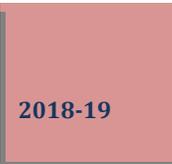
Since FY 2012-13 to FY 2018-19, the QRB has completed 459 reviews.

Of these:

- 30 cases - Recommended to the ICAI Council for consideration and necessary action in terms of the requirements of Sec. 28B(a) of the Chartered Accountants Act, 1949.

Of the cases recommended to the ICAI Council:

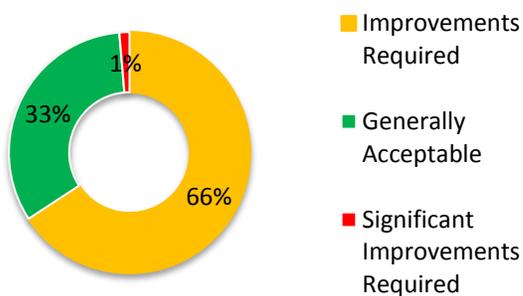
- 8 cases - Referred by the ICAI to Disciplinary Directorate (**in 5 cases, in prima facie opinion of Disciplinary Directorate, they have been found to be guilty and these cases are at the hearing stage now before appropriate authorities**);
 - 19 cases - ICAI decided to issue advisory for improvement to concerned Audit firms;
 - 3 cases - Closed.
- 255 cases - Advisories were issued by the Quality Review Board to the concerned Audit firms for improvement in quality in terms of the requirements of Sec.28B(c) of the Chartered Accountants Act, 1949.
 - 174 cases - Closed as they were found to be generally acceptable.



Key Findings – FY 2018-19

The key findings are in respect of the audit quality reviews completed by the Quality Review Board during the FY 2018-19 pertaining to the financial statements for the years ended on 31 March 2014, 31 March, 2015 and 31 March, 2016. These key findings have been categorised under various sections such as Standards on Auditing, Accounting Standards and Other Relevant Laws and Regulations.

Audit Quality Reviews covered in the Report



Audit firms reviewed

51

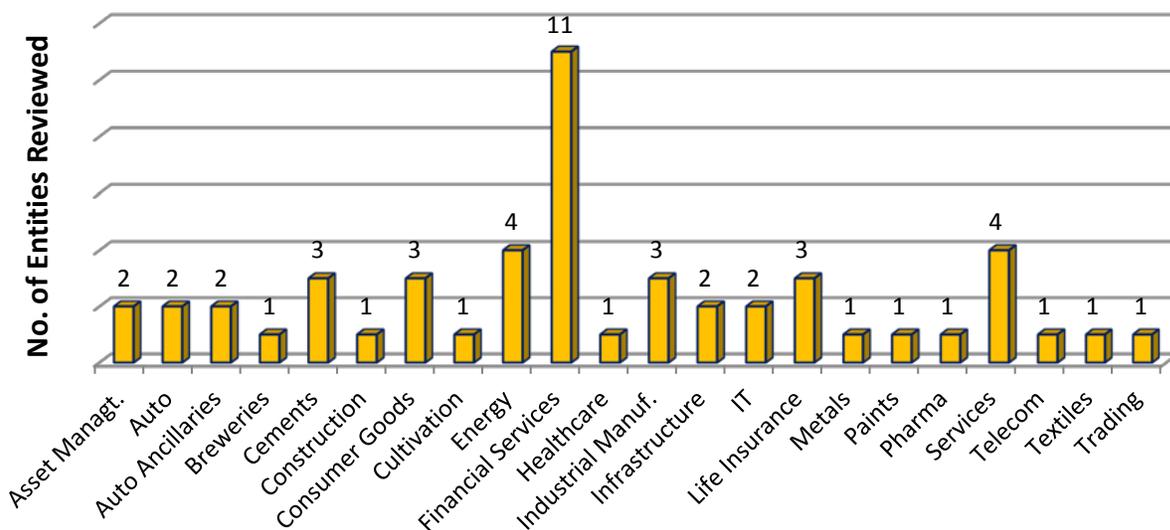
Entities Covered

51

Audit files reviewed

64

Industry wise number of entities reviewed during F.Y. 2018-19



a) Standards on Auditing

Standard on Quality Control-I (SQC-1)

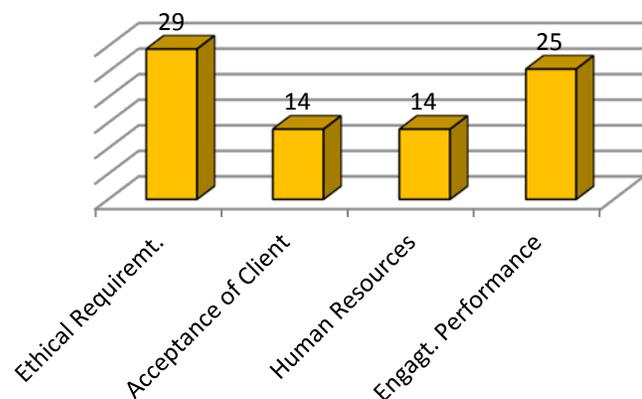
Focus Areas

- Whether audit firm establishes and implements policies and procedures on all the elements of system of quality control.
- Whether the engagement quality control reviewer reviews at an appropriate time for the planning of an audit, significant audit judgments, and expressions of audit opinion.
- Whether the audit firm assigns as the person responsible for the monitoring of the system of quality control a person with appropriate experience for the role, and vests the assigned person with sufficient and appropriate authority.
- Whether the audit firm obtains, at least annually, a confirmation letter concerning compliance with policies and procedures for the maintenance of independence from all persons required to maintain independence.
- Whether the audit firm performs the independence confirmation procedures set forth in its internal rules before acceptance and continuance of audit engagements, and when issuing the auditor's report, appropriately confirms that there was no change in the status of independence.
- Whether the audit firm develops and provides education/training programs that fully take into account the knowledge, experience, competence and capabilities of the professional staff.

Findings in this area included:-

- Not maintaining detailed quality control policies addressing each of the six elements of SQC-1.
- Not maintaining documentation to provide evidence of the operation of each of the six elements of its system of quality control.

% of Reviewed Audit firms having findings under SQC-I in



Ethical Requirements

- Not obtaining annual independence confirmations by the firm from all personnel.
- Not including all the requirements of independence as envisaged by the ICAI and provisions of the Companies Act, 2013 in independence declaration.
- Not including requirement of Section 141(3)(d) of Companies Act, 2013 in the annual declaration of independence.
- Not maintaining documentation regarding the consideration of actual or perceived conflicts of interest during an engagement.
- Not including aspects related to insider trading in the Independence policy.
- Not mentioning the date of signing of independence declarations.

Acceptance and Continuance of Client Relationships and Specific Engagements

- Deficiencies in communication to the team members for new clients added.

Human Resources

- No mechanism to monitor whether the Partners or other paid assistants have duly complied with and completed the requisite CPE hour requirements.
- Not documenting the process of pre-screening of new candidates, assessing the requirements of the number and type of resources required.
- Not having formal training program schedule for continuing professional development of staff.
- Not including performance evaluation, career development and promotion aspects in documented policies and procedures regarding human resources.
- Not including Appraisal and Training in HR Policy.
- Non-availability of the Minutes or attendance registers regarding the training of the staff by organizing meetings/seminars.

Examples of Root Cause(s)

Responsibility for improving audit quality primarily lies with Audit firms. Root cause analysis is one of the key components in realizing such improvements. When firm identifies why a behavior that impacts audit quality is occurring, it is more likely that firm will be able to design and implement appropriate and responsive measures that either encourage those behaviors that support audit quality or remediate to prevent those that do not.

The continued enhancement of root cause analysis should offer better understanding of what drives audit quality.

Audit firms are expected to check their own quality control system, including individual engagements, with reference to the deficiencies and their causes. If any deficiency is discovered in the system, through internal or external reviews, the audit firm should not only remedy the deficiency itself but also investigate and improve the root cause(s) thereof.

Engagement Performance

Findings in this area included:-

Consultation

- Not documenting consultations sought and the decision taken.
- Not establishing Consultation Policy.

Engagement Quality Control Review (EQCR)

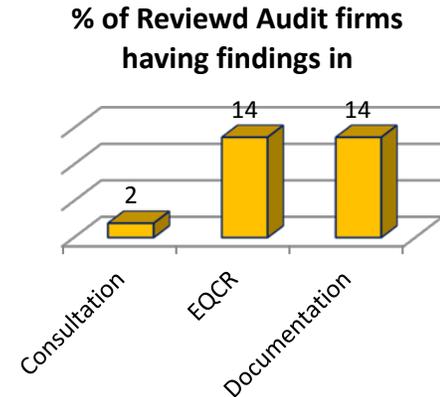
- Not establishing policies and procedures for engagement quality control review.
- Not establishing policies and procedures regarding the system of quality control.
- Not defining the appropriate level of experience required for the Partner-in-Charge to ensure effective Quality Control System.
- Not establishing policies and procedures requiring the firm's managing partners (or equivalent) to assume ultimate responsibility for the firm's system of quality control.
- Not updating policy document reflecting current practices followed for engagement quality control review.
- Engaging one of the engagement team members as Engagement Quality Control Reviewer.
- Not clearly specifying or mentioning the name/designation of the person ultimately responsible for the firm's system of quality control.
- Not setting out any policies or criteria pertaining to engagement quality control review for other audits /review of historical financial information/ other assurance related services.
- Not maintaining the documentation of quality control review done by partner.
- Not documenting the engagement quality control review procedure.

Some of the examples of root cause(s) could be:-

- Audit firm did not have comprehensive SQC document on various elements of quality control or was not backed by evidence supporting the implementation.
- CEO and managing partner did not fully recognize how audit environment had changed, and did not understand required quality control system to be implemented.
- CEO and Managing partner did not take action to enhance partners' awareness, capabilities and competence to improve audit quality and perform audit engagements.
- Failure to allocate sufficient resources, enough time and experienced, competent engagement team (including EQCR).
- Failure to implement policies and procedures for acceptance and continuance of engagements.
- Failure to test independence on the engagements ensuring independence at all times.
- Failure to have learning calendar and ensuring that firm's partners and employees are complying ICAI CPE rules.
- Failure to implement elements of monitoring activity.

Engagement Documentation

- Not establishing policies and procedures in respect of completion of assembly of final engagement files, confidentiality, safe custody, integrity, accessibility and retrievability, retention and ownership of engagement documentation.
- Not establishing policies and procedures to complete the assembly of final engagement files on a timely basis.
- Not evidencing the assembly of audit files within 60 days after the date of the auditor's report.
- Deficiencies in documentation of the system of cross-referencing, mentioning date of filing/assembling, documentation for custody of documents and retrieval thereof etc.
- Not maintaining documentation for communicating its policy and procedure to its staff.
- Not documenting discussion between the engagement partner(s) and review partner as well as between other partner(s) and engagement/review partner.
- Not preparing checklists or standardized documentation for complying with the applicable engagement standards.
- Deficiencies in the system of communicating the policies and manuals to team members.
- Not having checkpoints related to recognition and measurement in accounting standards compliance checklist.
- Not recording reasons, no supporting documents and references to corroborative evidence in support of checklist.



Agreeing the Terms of Audit Engagement (SA 210)

- Not including in the terms of audit engagement, the management's responsibility regarding the preparation of financial statements, providing the auditor with unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence, and the basis on which fees are computed.
- Not issuing separate engagement letter for taxation engagement.
- Not addressing engagement letter to those charged with governance; not issuing engagement letter for certification work; not giving reference of applicable financial reporting framework.
- Not addressing engagement letter to appropriate person and not issuing engagement letter in respect of treasury branch.
- Not having engagement letter in the audit working paper file.

Quality Control for an Audit of Financial Statement (SA 220)

- Not maintaining documentation of the process of observing, identifying or evaluating the circumstances that can create a threat to independence.
- Not maintaining documentation of the Engagement Quality Control Review for performing an objective evaluation of the significant judgments made by the engagement team and conclusions reached in formulating the auditor's report.
- Not assessing the competence of the engagement team to perform the audit engagement with regard to accepting and continuing client relationship.

Audit Documentation (SA- 230)**Focus Areas**

- Whether professional staff prepare audit documentation in such a way to sufficiently describe the status of compliance with the standards on auditing, the timing and scope of implementation of audit procedures, the grounds for judgments, the conclusions reached, and other information.
- Whether more experienced members of the audit team appropriately review the audit documentation prepared by less experienced members.
- Whether the engagement partner reviews the audit documentation and has discussions with the engagement team to confirm that sufficient appropriate audit evidence has been obtained to support the conclusions reached and audit opinion.

Findings in this area included:-

- Not preparing audit documentation for planning an audit, identifying and assessing the risks, bases of selection of sample, performing tests of control and tests of detail, checking the impairment of assets and performing physical verification of assets and reconciliation with books of accounts.
- Not preparing audit documentation on timely basis.
- Not preparing audit documentation for the audit procedures required as per SQC-1, SA's 200, 260, 265, 299, 300, 315, 320, 330, 500, 501, 505, 510, 520, 530, 540, 550, 570, and 620.

Examples of Root Cause(s)

- Audit firm's personnel did not fully recognize importance of audit documentation.
- Engagement team did not fully verify whether audit documentation was prepared.
- Engagement partner did not review audit documentation nor provided sufficient attention because they placed too much confidence on sharing awareness of entity issues among engagement team.
- Engagement partner did not provide sufficient direction and supervision to less experienced audit practitioners despite they were in majority due to frequent turnover.
- Engagement partner did not conduct sufficient review of audit documentation.
- Engagement did not have proper EQCR in place.
- Audit firm did not have in place education/training system with due consideration of experience of audit practitioners, scope of their audit engagements, changes in SAs and other relevant factors.

If any audit document has not been prepared properly for an important audit matter, this is not simply a deficiency of documentation, but in many cases, it could imply that the necessary audit procedures have not been implemented.

Furthermore, it also should be noted that the lack of a proper audit document usually implies that the Audit firm also has deficiencies in engagement quality control review, periodic inspection, education, training (review of guidance and supervision of audit assistants, and audit documents, in particular) and/or other areas, not just insufficiency in the knowledge and capabilities of the engagement team.

Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (SA 265)

- Non-compliance of SA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management in respect of not communicating significant deficiencies in internal control identified during the audit to those charged with governance.

Risk Assessment and Response to Assessed Risk (SA- 300, 315, 320, 330 and 450)

Focus Areas

- Whether the engagement team performs appropriate identification and assessment of the risks of material misstatement in the financial statements as a whole and at the assertion level when it develops an audit plan, considering the audited company and its environment, business risks and internal control of the audited company, instead of merely completing templates provided by the Audit firm.
- Whether the engagement team makes appropriate judgment, when it identifies significant risks and whether the team understands internal control relevant to significant risks.
- Whether the engagement team develops an overall response required by the SA-330 in accordance with the assessed risks of material misstatement in the financial statements as a whole, and plans the nature, timing, and extent of procedures in response to the audit risks, taking into account the materiality, in accordance with the assessed risks of material misstatement at the assertion level.
- Whether the engagement team makes appropriate responses, when a misstatement is identified as the audit progresses, such as judging whether it is necessary to revise the overall audit strategy and detailed audit plans, and evaluating the impact of the uncorrected misstatement.

Findings in this area included:-

Non Compliance of SA 300 Planning an Audit of Financial Statements in respect of:-

- Not specifying in audit program, audit criteria or test program necessary to satisfy audit objectives.
- Not documenting improvement in audit programme and procedures in the light of experience gained during the course of the audit.
- Not preparing a comprehensive Audit program that is commensurate with the size and nature of the auditee.
- Not making proper plan for limited review, treasury operations.
- Not documenting the overall audit strategy and the audit plan.
- Not establishing client specific audit strategy.

Non-compliance of SA 315 Identifying and Assessing the Risks of Material Misstatement in respect of:-

- Not testing the effectiveness of the IT controls of the company.
- Not performing risk assessment procedure in respect of transactions with related parties.
- Not documenting assessed risks of material misstatement and consideration of fraud risk factors at the planning stage.
- Not documenting the risk assessment procedures.

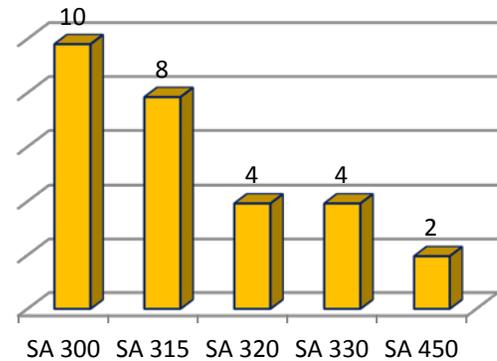
Non Compliance of SA 320 Materiality in Planning and Performing an Audit in respect of:-

- Not determining and documenting materiality.
- Not documenting separately materiality set for the bank as a whole.

Non-compliance of SA 330 The Auditor’s Response to Assessed Risk in respect of not having:-

- documentation related to
 - ✓ Linkage of risk assessment procedures with the assessed risk.
 - ✓ Referencing/cross referencing the financial statements to trial balance to demonstrate that the financial statements agree or reconcile with accounting records.

% of Reviewed Audit firms having findings in



Examples of Root Cause(s)

- Audit firm failed to establish overall audit strategy.
- Audit firm failed to include in the audit plan about planned audit procedures including identification and assessment of risk of material misstatement that are required to be carried out so that engagement complies with SAs.
- Audit firm failed to implement a suitable sampling methodology and document on file any calculations as proof thereof and that the extent of testing is an adequate response to the assessed risk levels.
- Audit firm failed to test IT related controls, testing IT generated reports, changes to IT systems and have adequate IT personnel on engagement.
- Lack of appropriate audit tools, training and experienced staff as well as review.
- Audit firm failed to document design and effectiveness of controls and performing appropriate test of controls.

- sufficient and appropriate audit evidence by forming opinion on the adequacy of internal control without having comments of the management on the risks associated and the mitigation plan at the time of signing the financial statements.

Non-compliance of SA 450 Evaluation of Misstatements Identified during the Audit in respect of misstatement in reporting Mark to Market loss.

Audit Evidence (SA- 500, 501, 505, 520, 530, 540, 550, 580, 610 and 620)

Focus Areas

- Whether the engagement team has designed and performed audit procedures to obtain sufficient appropriate audit evidence to draw reasonable conclusions on which to base the auditor’s opinion.
- Whether the engagement team obtains appropriate audit evidence responsive to the assessed risks of material misstatement at the assertion level, rather than only focusing on the quantitative sufficiency of audit evidence.
- Whether engagement team maintains control over external confirmation request when using external confirmation procedures, and if not, whether engagement team perform alternative audit procedures.
- Whether engagement team obtains written representation from management and tests key underlying assumptions, or seeks out evidence to corroborate estimates or treatments. If written representations are inconsistent with other audit evidence, whether the auditor performed audit procedures to attempt to resolve the matter. If the matter remains unresolved, whether the auditor reconsidered the assessment.
- Whether the engagement team performs appropriate audit procedures in individual situations as tests of controls and substantive procedures.

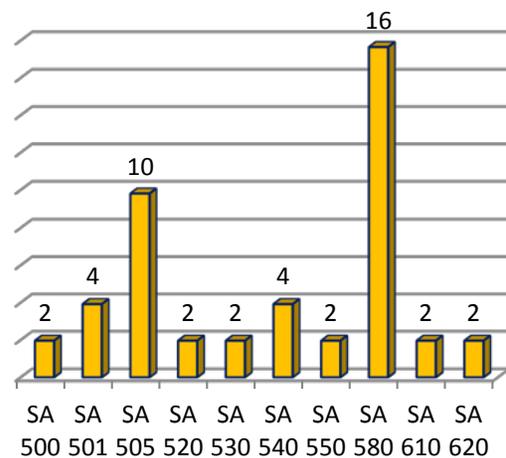
Findings in this area included:-

Non-compliance of SA 500 Audit Evidence in respect of absence of linkage of audit procedure with the assessed risks at the assertion level.

Non-compliance of SA 501 Specific Considerations for Selected Items in respect of:-

- Not having sufficient appropriate audit evidence for physical verification of inventory.
- Relying on management certificate in respect of inventories and using statement ‘As taken, valued and certified by the management’ under the note for Inventories in financial statements.

% of Reviewed Audit firms having findings in



Non Compliance of SA 505 External Confirmations in respect of:-

- Non availability of external confirmation with the auditor.
- Not maintaining proper control over external confirmation requests.
- Not receiving year-end balance confirmations of finance leases.
- Not obtaining balance confirmation of loans from banks on standalone basis.
- Not obtaining sufficient external confirmation from trade receivables.

Non-compliance of SA 520 Analytical Procedures in respect of not documenting analytical procedures performed.

Non Compliance of SA 530 Audit Sampling in respect of not documenting audit procedures related to designing samples, selecting sample size and selection of items for testing.

Non-compliance of SA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures in respect of:-

- Not documenting the consideration of accounting estimates that the management may have made in preparing the financial statements and not including representation in respect of accounting estimates in the Management Representation Letter.
- Not documenting and performing audit procedures as required by SA 540.

Examples of Root Cause(s)

- Engagement team identifies significant risks but completes audit procedures only by inquiry without obtaining sufficient appropriate audit evidence.
- Engagement team identifies inconsistencies and irregularities with other audit evidence but does not determine the necessity of additional audit procedures.
- Even though the assessed risk of material misstatement is high, the engagement team performs the tests of details only by obtaining the entity's internal vouchers and other less reliable audit evidence without assessing the quality of the obtained audit evidence.
- During sampling among the audit procedures in response to the assessed risk, the engagement team does not select samples from the appropriate selection range to reach a conclusion for the entire population.
- Engagement team did not perform audit procedures to comprehensively understand the related parties.
- Engagement team did not perform procedures on the management's methods and data used for accounting estimates.
- Engagement team did not assess the management's bias.

Non-compliance of SA 550 Related Parties in respect of disclosing only certain related parties transactions in financial statements and leaving others undisclosed.

Non Compliance of SA 580 Written Representations in respect of:-

- Not including following aspects in the management representation:-
 - All transactions have been recorded in the accounting records and are reflected in the financial statements.
 - Results of assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - Significant assumptions used in making accounting estimates were reasonable.

- Provisioning and payment of dividend, unpaid dividend and the amount liable to be transferred to Investor Education and Protection Fund.
- Issuance of certificate on Corporate Governance.
- Limited Review Assignments.
- Not obtaining written representation from the management.
- Not including reference of the applicable financial reporting framework in the written representation.
- Not including various assertions on written representations obtained from the management.
- Not including management responsibility for design and implementation of internal control in written representation.

Non-compliance of SA 610 Using the Work of Internal Auditors in respect of not preparing audit documentation in respect of evaluation of the adequacy of the work of the internal auditor.

Non-compliance of SA 620 Using the Work of an Auditor's Expert in respect of not evaluating relevance and reasonableness of the assumptions made by the expert; and completeness and accuracy of the source data in determining the provisions regarding the employees' benefits in the financial statements.

Audit Conclusions and Reporting (SA 700, 705, 706, 720)

Focus Areas

- Whether engagement team forms opinion after obtaining reasonable assurance whether financial statements as a whole are free from material misstatement, whether due to fraud or error;
- Whether audit report is issued in applicable format and includes all the relevant paragraphs as required by standard on auditing.

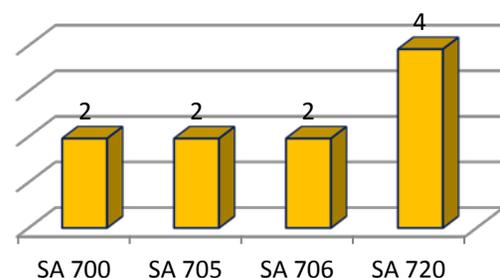
Findings in this area included:-

Non-compliance of SA 700 Forming an Opinion and Reporting on Financial Statements in respect of not including reference of applicable financial reporting framework in management responsibility paragraph of the audit report.

Non-compliance of SA 705 Modifications to the Opinion in the Independent Auditor's Report in respect of not disclosing financial impact of the misstatement in 'Basis of Qualified Opinion' para in auditors' report.

Non Compliance of SA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report in respect of not clearly stating in 'Other Matter' paragraph of a Consolidated Auditor's Report that the audit of the subsidiaries had been carried out not by them but by

% of Reviewed Audit firms having findings in



one of the Member firms of the same Network registered with the ICAI.

Examples of Root Cause(s)

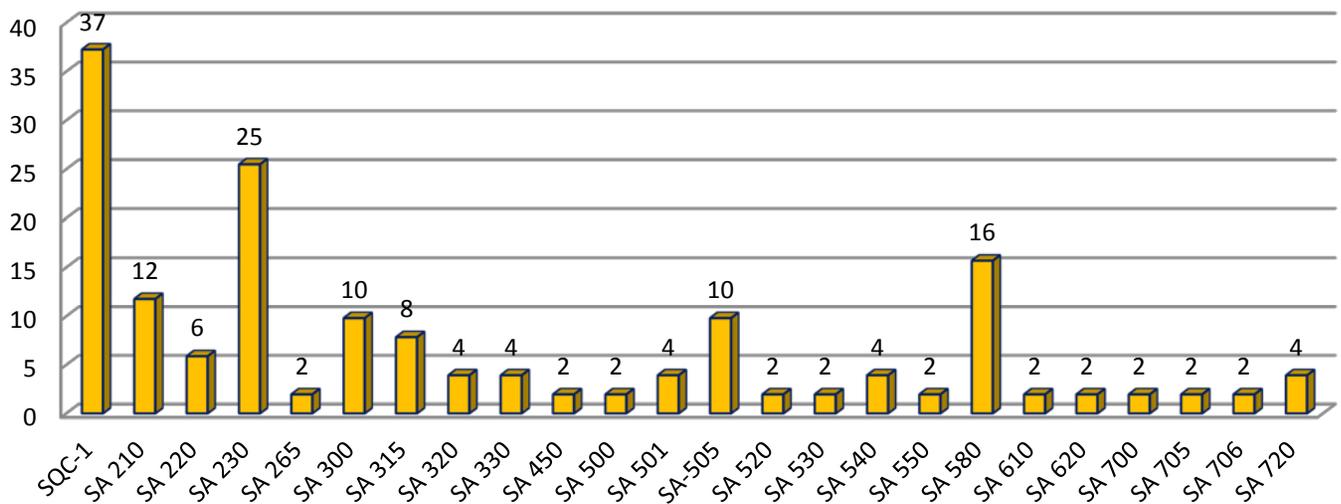
- Audit firm does not conclude the audit opinion at the end of the audit, based on audit evidence obtained and sometimes they have pressure to complete the audit on time.

Non-compliance of SA 720 The Auditor’s Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements in respect of:-

- Inconsistency in ‘Other Information’ and financial statements.
- Mismatch of amounts in the financial statements and Director’s Report in respect of CSR expenditure.

% of Reviewed Audit Firms having observations on Standards on Auditing (SA)¹ for reviews conducted during FY 2018-19

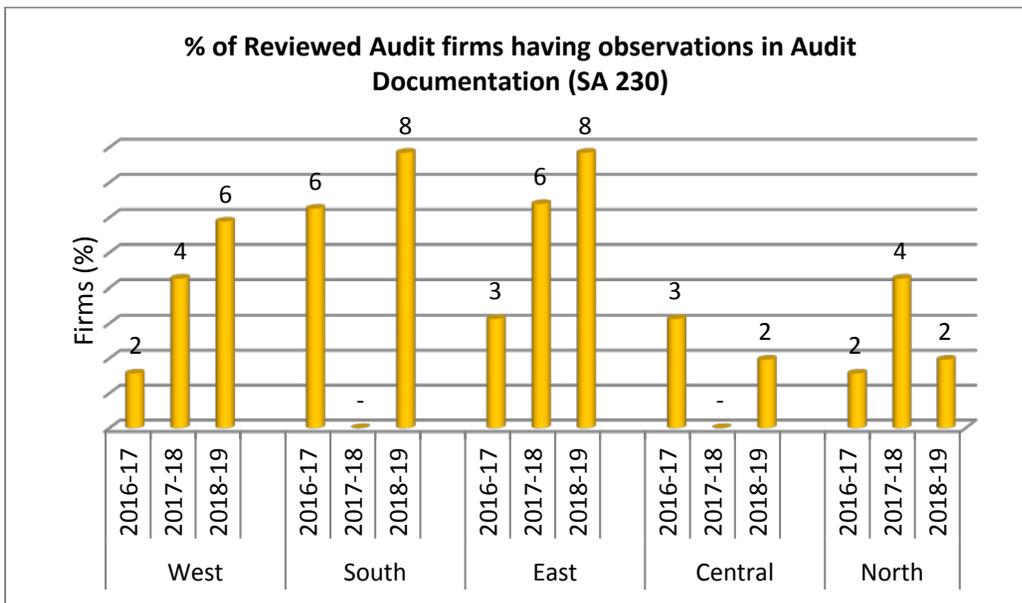
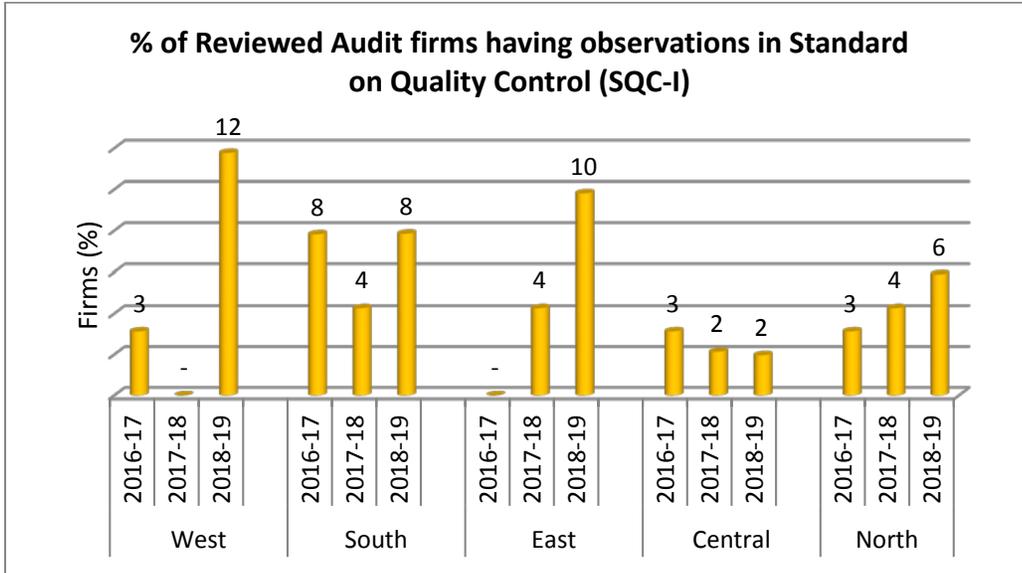
Standards on Auditing



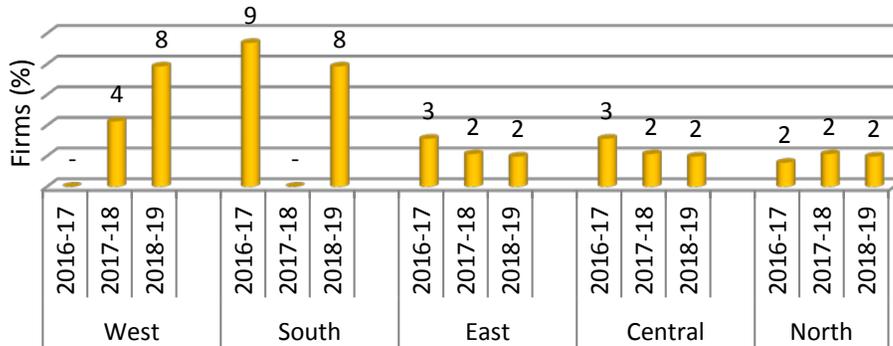
¹ The graph represents the % of Audit firms having observations under various Standards on Auditing (SAs) for reviews completed during F.Y. 2018-19 (pertaining to the financial statements for the years ended on 31 March, 2014, 31 March, 2015 and 31 March, 2016). For further details and titles of SAs, please refer Annex A.

Comparative Pattern of Key Findings for reviews conducted during FY 2016-17, 2017-18 and 2018-19

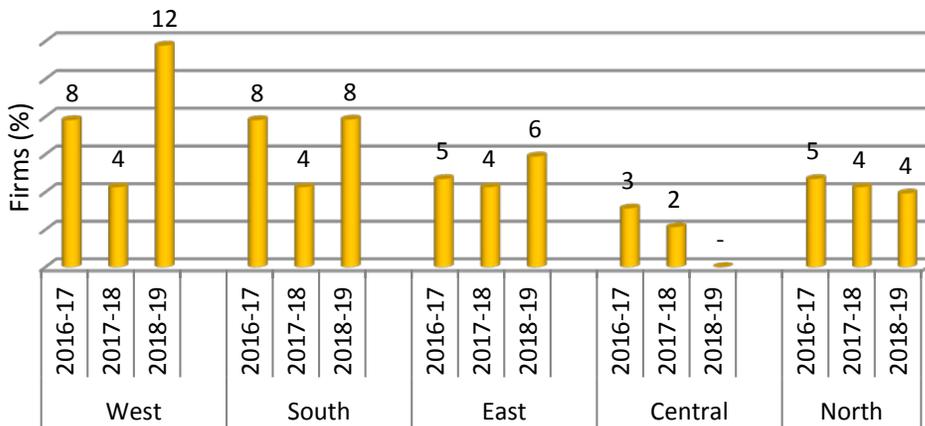
i) Region-wise % of Reviewed Audit firms having observations under SAs



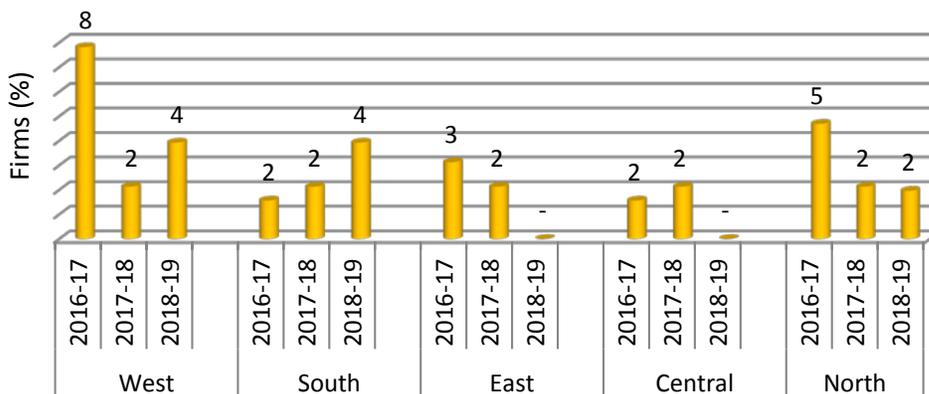
% of Reviewed Audit firms having observations in Risk Assessment and Response to Assessed Risk (SA- 300, 315, 320, 330 and 450)



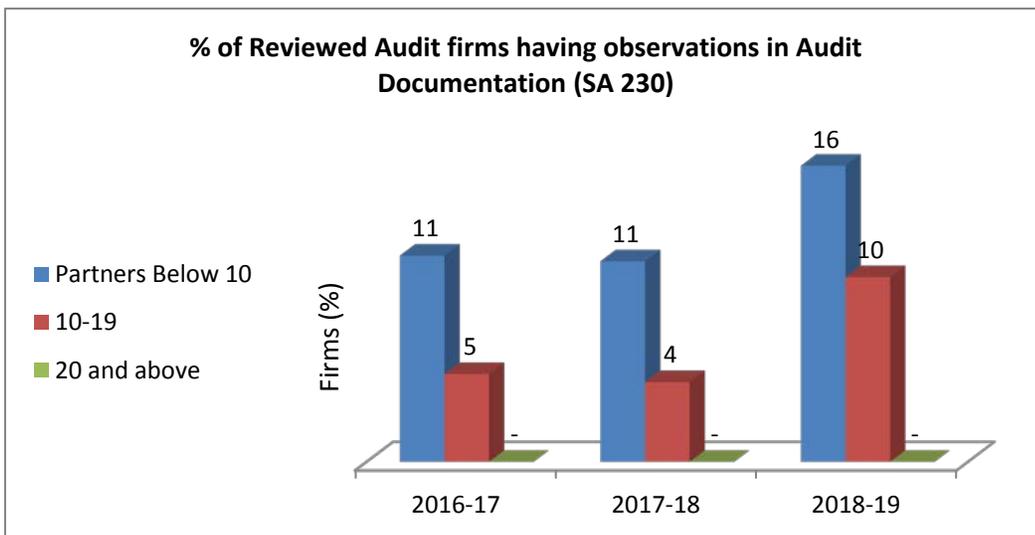
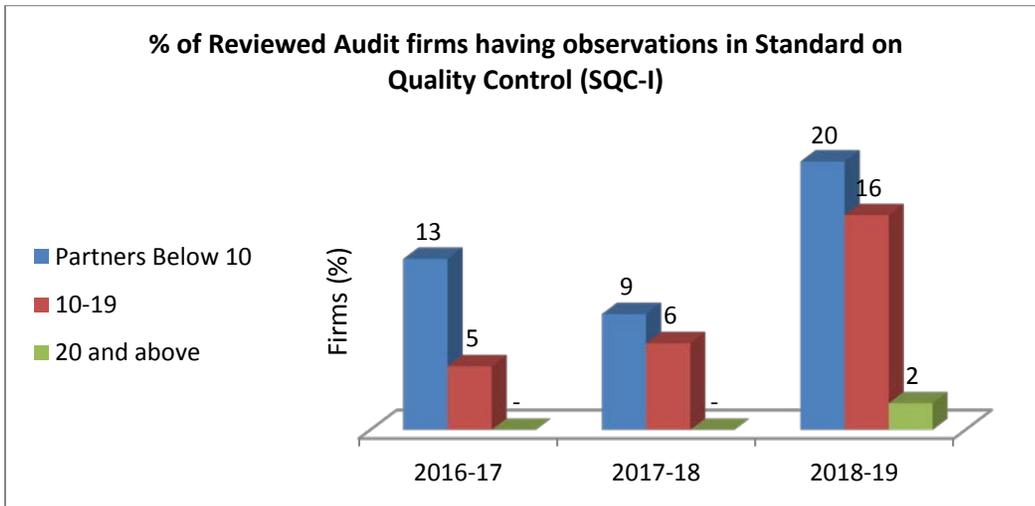
% of Reviewed Audit firms having observations in Audit Evidence (SA- 500, 501, 505, 520, 530, 540, 550, 580, 610 and 620)



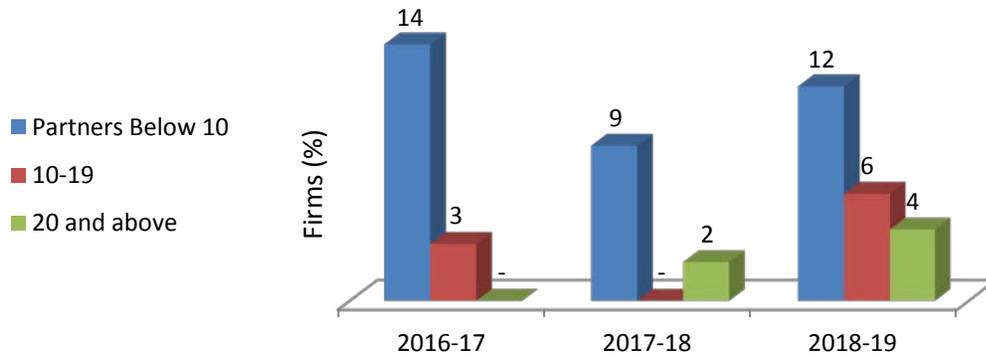
% of Reviewed Audit firms having observations in Audit Conclusions and Reporting (SA 700, 705, 706, 720)



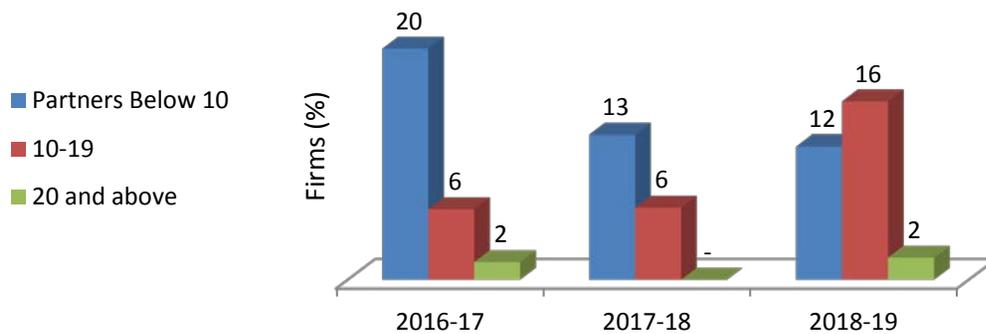
ii) Number of Partners-wise % of Reviewed Audit firms having observations under SAs



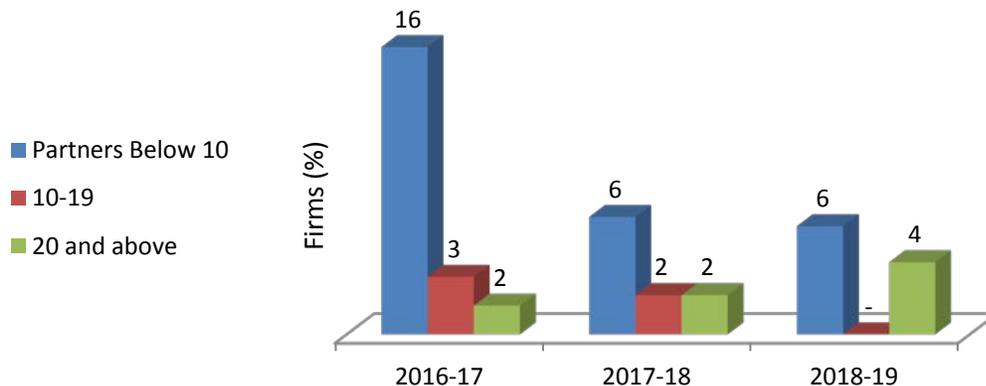
% of Reviewed Audit firms having observations in Risk Assessment and Response to Assessed Risk (SA- 300, 315, 320, 330 and 450)



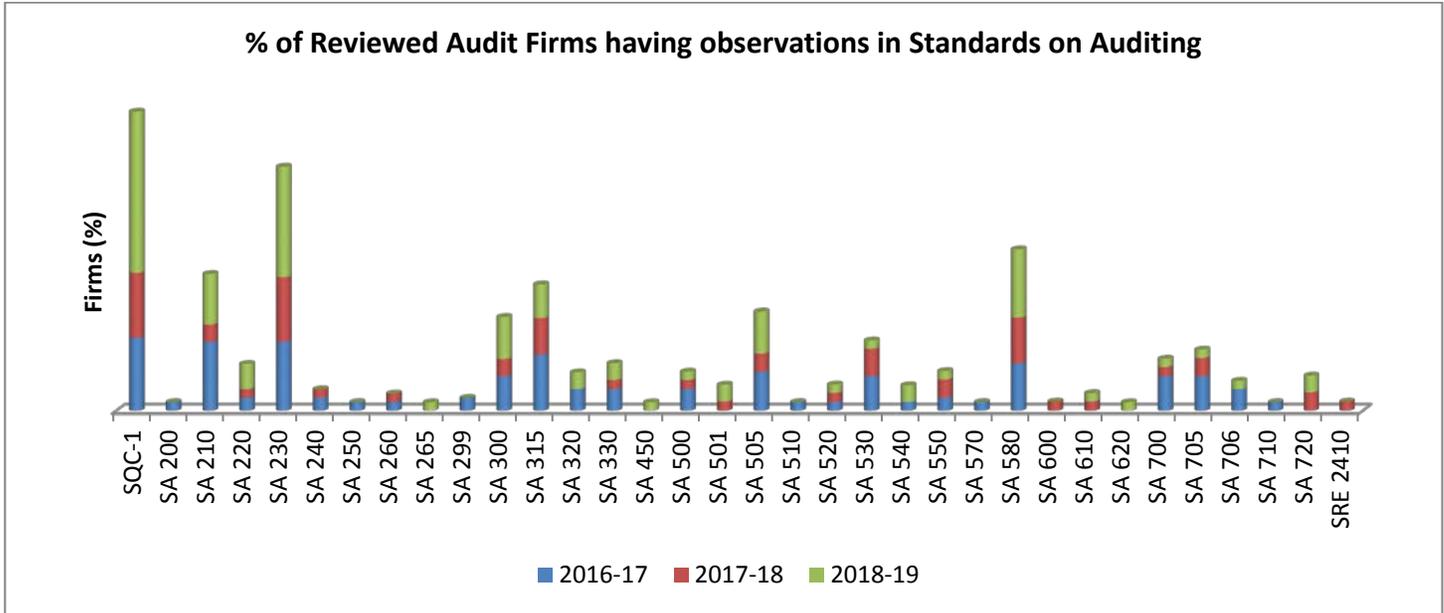
% of Reviewed Audit firms having observations in Audit Evidence (SA- 500, 501, 505, 520, 530, 540, 550, 580, 610 and 620)



% of Reviewed Audit firms having observations in Audit Conclusions and Reporting (SA 700, 705, 706, 720)



iii) Overall Comparative Pattern of Key Findings



b) Accounting Standards

Non-compliance of AS-1 Disclosure of Accounting Policies in respect of:-

- Not disclosing Income from Interest, Dividend and Rentals separately.
- Non-disclosure of accounting policy on Repo/Reverse transactions and short sales in Government securities.
- Non-disclosure of the fact of renewable leases of Tea Estates and its expiration/renewal status while in various cases leases had expired and were pending for renewal considering the materiality and AS 1 Disclosure of Accounting Policies.
- Not disclosing accounting policy for cash and cash equivalents, earning per share, segment reporting and provisions, contingent liabilities and contingent assets.
- Not disclosing accounting policy on:-
 - Accounting and amortization of Estate and Development and plantation.
 - Revenue recognition of dividend income.
 - Leases

Non-compliance of AS 3 Cash Flow Statements in respect of:-

- Not disclosing accounting policy on cash and cash equivalent; and not disclosing method of preparing cash flow statement.
- Disclosing cash flows arising from disposal of subsidiaries net of expenses instead of gross.
- Including the balance in unpaid dividend account and earmarked balance in cash and cash equivalents.

Non-compliance of AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies in respect of not disclosing separately nature and amount of prior period items in the statement of profit and loss.

Non Compliance of AS 9 Revenue recognition in respect of:-

- Not making proper disclosures as required by AS 9.
- Not making disclosures on policy regarding Commission, Exchange & Brokerage; Dividend Income and Miscellaneous Income.
- Recognizing revenue on 'completion of sale of goods' instead of on 'transfer of significant risks and rewards of ownership' and not documenting the same.
- Not disclosing accounting policy for revenue recognition of interest, royalty, export incentives and dividend.

Non-compliance of AS 10 Accounting for Fixed Assets (now Property, Plant and Equipment) in respect of lack of disclosure of the accounting policies followed and the basis of measurement of value of land in the books of account.

Non-compliance of AS 15 Employee Benefits in respect of not disclosing requirements as specified in para 120(a) & 120(o) of AS 15.

Non Compliance of AS 17 Segment Reporting in respect of not making proper disclosures as required by AS 17.

Non Compliance of AS 18 Related Party Disclosures in respect of:-

- Not disclosing previous year's figures of transactions with related parties.
- Not disclosing name of the related party and transactions with it till the date of existence of relationship.
- Not disclosing certain related party transactions in Financial Statements.

Non Compliance of AS 19 Leases in respect of not disclosing accounting policy for leases and other disclosures as required by AS 19.

Non Compliance of AS 20 Earnings per Share in respect of:-

- Not disclosing the basic and diluted EPS on the face of the Profit and Loss Account.
- Not disclosing reconciliation as required in para 48(ii) of AS 20.

Non-compliance of AS 21 Consolidated Financial Statements in respect of:-

- Not including in the consolidated statement of profit and loss, the results of the subsidiary until the date of cessation of the parent-subsidary relationship as required in para 22 of AS 21.
- Not disclosing the fact of impracticability to use uniform accounting policies and the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

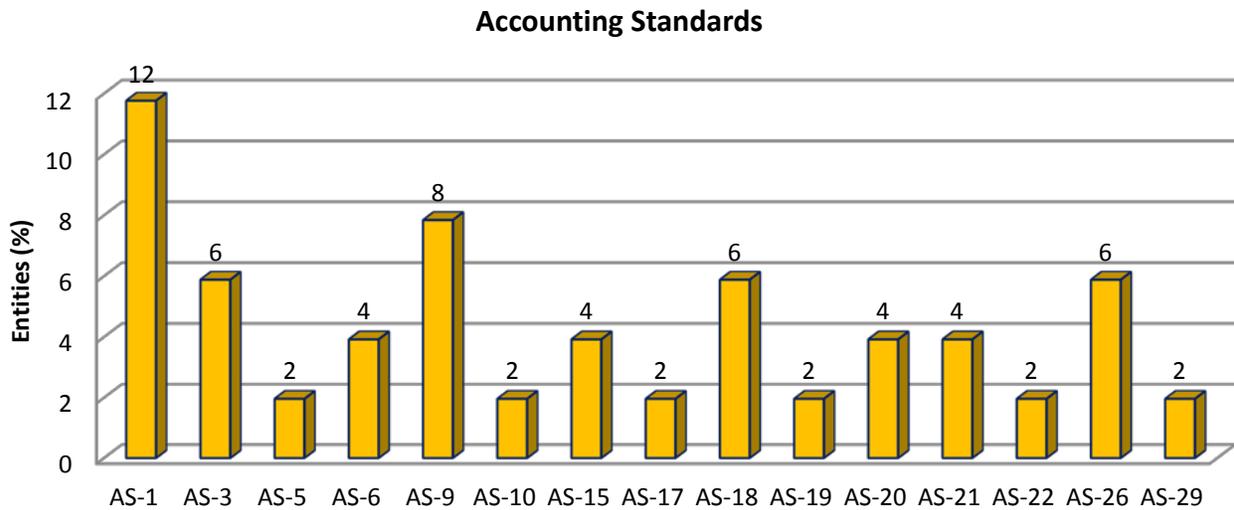
Non-compliance of AS 22 Accounting for Taxes on Income in respect of not specifying the nature of evidence supporting recognition of deferred tax assets on carried forward losses.

Non Compliance of AS 26 Intangible Assets in respect of:-

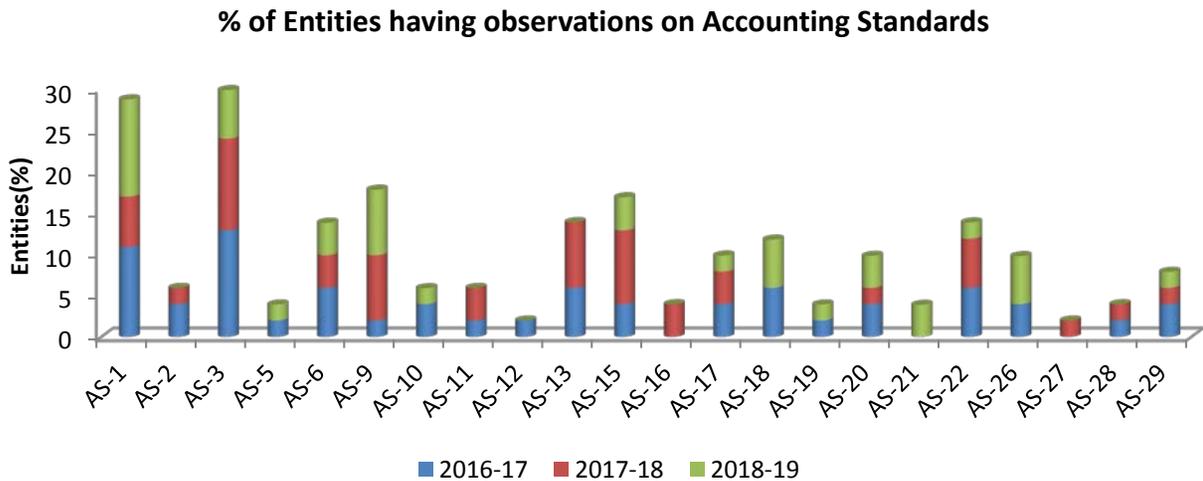
- Not disclosing accounting policy of intangible assets.
- Not disclosing accounting policy for intangible assets under development.
- Presenting certain expenses under "Other Current Assets" as Deferred Revenue Expenditure.

Non-compliance of AS 29 Provisions, Contingent Liabilities and Contingent Assets in respect of not providing for the amount of penalty specified in the lease agreement to be levied on delay in development of land.

% of Entities having observations on Accounting Standards (AS)² for reviews conducted during FY 2018-19



Comparative Pattern of Key Findings for reviews conducted during FY 2016-17, 2017-18 and 2018-19



² The graph represents the % of Audit firms having observations under various Accounting Standards (ASs) for reviews completed during F.Y. 2018-19 (pertaining to the financial statements for the years ended on 31 March, 2014, 31 March, 2015 and 31 March 2016). For further details and titles of ASs, please refer Annex B.

c) Other Relevant Laws and Regulations

Schedule III of the Companies Act, 2013

Findings in this area included:-

- Non Compliance of Schedule III of Companies Act 2013 in respect of not disclosing rate of interest on unsecured term loan from Bank.
- Non-compliance of Schedule III of Companies Act, 2013 and AS 3 Cash Flow Statements in respect of no separate disclosure of acquisition or disposal of investments in subsidiary in the cash flow statement.'
- Non-compliance of Schedule III of Companies Act 2013 in respect of not disclosing allowance for bad and doubtful debts under relevant heads separately.
- Non-compliance of Schedule III to Companies Act, 2013 in respect of not disclosing comparative figures for the immediately preceding reporting period for all items of tangible and intangible fixed assets in the notes.
- Non-compliance of Schedule III of Companies Act 2013 in respect of not classifying advances as secured or unsecured and considered good or doubtful.
- Non-compliance of Schedule III of Companies Act, 2013 in respect of not disclosing allowance for doubtful loans and advances under relevant heads separately.
- Non-compliance of Schedule III of Companies Act 2013 in respect of showing traded goods as Finished Goods.
- Non-compliance of Schedule III of Companies Act 2013 in respect of not disclosing mode of valuation of inventories.
- Non-compliance of Schedule III of Companies Act 2013 in respect of not disclosing useful lives of Property, Plant & Equipment.
- Non-compliance of Schedule III of Companies Act 2013 in respect of not disclosing consolidated figures of payment to auditors and breakup in consolidated financial statements.
- Non Compliance of Schedule III of Companies Act, 2013 in respect of netting off finance income from finance cost instead of showing it separately in Statement of Profit and Loss.
- Non-compliance of Schedule III of Companies Act, 2013 in respect of not giving detailed explanation in the Notes to Accounts explaining reasons for conversion of subsidiary into associate.
- Mismatch of number of shares and number of shareholders as disclosed in the financial statements and audit working papers.
- Typographical error in notes of financial statements.

Companies Auditor's Report Order (CARO), 2016**Findings in this area included:-**

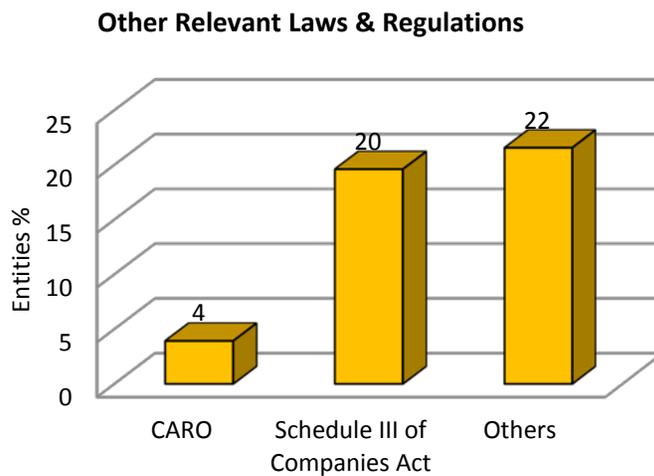
- Not appropriately reporting in terms of para (iv) of CARO, 2016.
- Mismatch in the assertions between representation letter obtained from management and CARO 2016 with regard to materiality of discrepancies noted on physical verification of inventories.

Others**Findings in this area included:-**

- Non-compliance of *Section 134(1) of The Companies Act, 2013* in respect of the management not signing on the Cash Flow Statement.
- Non-compliance of *Section 143(3)(c) of The Companies Act, 2013* in respect of not reporting in consolidated Auditor's report as required by section 143(3)(c) of the Companies Act, 2013 regarding consideration of the reports on the accounts of the branch offices of the company.
- Non-compliance of *Schedule II of Companies Act 2013* in respect of not disclosing the fact of taking useful life of assets different from that specified in Schedule II of Companies Act, 2013 and not providing justification in this behalf duly supported by technical advice.
- Non-compliance of the requirements of Section 186(4) of the Companies Act, 2013 in respect of not disclosing the purpose for which the loan/guarantee/security is proposed to be utilized by the recipient of the loan or guarantee or security.
- Non Compliance of Section 203 of Companies Act, 2013 in respect of not appointing whole-time key managerial personnel viz., Managing Director or CEO or Manager and CFO by subsidiary company. Auditor should have reported under paragraph Report on Other Legal and Regulatory requirements as per Para A11 of SA 706.
- Non-compliance of Schedule II of Companies Act 2013 in respect of charging remaining carrying value of assets to general reserve instead of statement of profit and loss on account of change in useful life of assets.
- Non-compliance of Form A of Schedule-III to the Banking Regulation Act, 1949 in respect of classifying premise at revaluated value instead of showing at cost and appreciation on revaluation to be stated separately.
- The management and auditor not signing cash flow statement.
- Mentioning two line items for the same transaction.
- Mismatch in the heading of schedule 3A. In the profit and loss account, heading against schedule 3A is 'Expenses other than those directly related to insurance business' whereas the heading used in schedule 3A is 'Shareholders' Expenses'.
- Non-compliance of Guidance Note on ESOP in respect of non-reversal of balance standing to the credit of the relevant equity account to general reserve in the situation where the right to obtain shares or stock option expired unexercised.

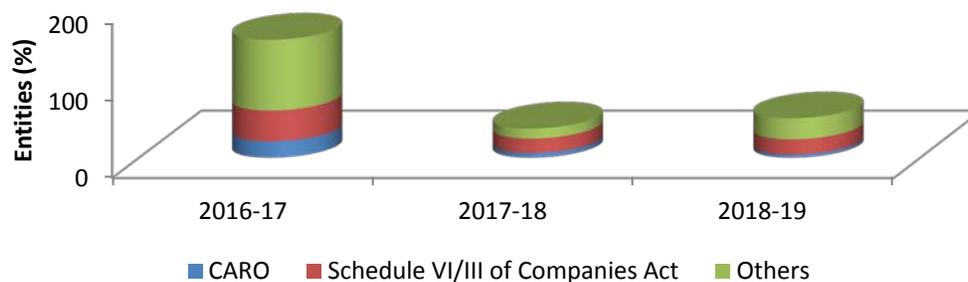
- Netting off debit balance in Cash Credit Account with Working Capital Demand Loan and credit balance of Cash Credit Account in other Banks.
- Not disclosing amounts related to ‘Salary and Wages’ and ‘Stores and Spares’ in an unambiguous manner enabling readers to easily understand the treatment provided as to whether these were capitalized or charged to statement of profit and loss.
- Improvement required in cross referencing between various notes of financial statements.
- Mismatch of amounts in the representation letter obtained from management and financial statements in respect of Contingent liabilities, capital and other commitments.

% of Entities having observations on Other Relevant Laws and Regulations for reviews conducted during FY 2018-19



Comparative Pattern of Key Findings for reviews conducted during FY 2016-17, 2017-18 and 2018-19

% of Entities having observations on Other Relevant Laws and Regulations



Key Takeaways for Audit Firms

Standard on Quality Control –I (SQC-I)

- Improve implementation and documentation for various elements of the system of quality control as per SQC-1.
- Maintain policy & procedure to notify breaches of independence requirements.
- Provide eligibility and maintain objectivity of Engagement Quality Control Reviewer (EQCR).
- Maintain policies and procedures with regard to engagement performance, engagement documentation and archival process.
- Improve monitoring mechanism and take corrective action for any of the deficiency identified during inspection process and communicate to its partner.

Audit Documentation

- Prepare audit documentation on a timely basis duly recording who performed and reviewed audit work and the date/s of completion and review.
- Prepare audit documentation to understand:
 - nature, timing and extent of audit procedures performed to comply with SAs and applicable legal and regulatory requirements;
 - results of audit procedures performed and audit evidence obtained; and
 - significant matters arising during the audit, conclusions reached and significant professional judgments made.
- Comply with policies and procedures for assembly and archival of work papers within stipulated time.

Risk Assessment and Response to Assessed Risk

- Document overall audit strategy and audit plan.
- Document the design and effectiveness of controls and performing appropriate test of controls to obtain sufficient appropriate audit evidence.
- Test IT related controls, IT generated reports and have appropriate planned procedures including changes to IT systems and have appropriate IT personnel on engagement.

- Determine materiality for the financial statements as a whole while establishing overall audit strategy.

Audit Evidence

- Appropriately identify and assess risks of material misstatement in accounting estimates, and perform appropriate audit procedures to address such risks.
- Do not be over-reliant on, or readily accept, the explanations and representations of the management without challenging matters such as key underlying assumptions, or seek out evidence to corroborate estimates or treatments. If written representations are inconsistent with other audit evidence, perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, reconsider the assessment of the competence, integrity, ethical values or diligence of management, and determine the effect that this may have on the reliability of representations and audit evidence, in general.
- Design and perform audit procedures that are appropriate in the circumstances for obtaining sufficient appropriate audit evidence.
- Maintain control over external confirmation requests while using external confirmation procedures.
- Select items for the sample in such a way that each sampling unit in the population has a chance of selection.
- Perform analytical procedures during planning stage, audit performance and when forming overall conclusion as to whether financial statements are consistent with auditor's understanding of entity.
- Evaluate adequacy of the work of the internal auditor.
- Evaluate relevance and reasonableness of the assumptions made by the expert; and completeness and accuracy of the source data.

Audit Conclusions and Reporting

- Prepare auditor's report as per prescribe format.
- Disclose financial impact of the misstatement in 'Basis of Qualified Opinion' para in auditors' report.
- Read the other information to identify inconsistencies with the audited financial statements.

Annex A

Number and % of Audit Firms having observations on Standards on Auditing (SA) in reviews conducted during FY 2018-19:

Standards on Auditing	Number of Observations	Number of Audit Firms having observations	% of Firms to Total Firms (Total Firms =51)
SQC-1 Standards on Quality Control	53	19	37
SA 210 Agreeing the Terms of Audit Engagements	6	6	12
SA 220 Quality Control for an Audit of Financial Statements	3	3	6
SA 230 Audit Documentation	13	13	25
SA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	1	1	2
SA 300 Planning an Audit of Financial Statements	5	5	10
SA 315 Identifying and assessing the risks of material misstatement through understanding the Entity and its environment	4	4	8
SA 320 Materiality in Planning and Performing an Audit	2	2	4
SA 330 Auditor's responses to assessed risks	2	2	4
SA 450 Evaluation of Misstatements Identified during the Audit	1	1	2
SA 500 Audit Evidence	1	1	2
SA 501 Audit Evidence- Specific considerations for Selected Items	2	2	4
SA 505 External Confirmations	5	5	10
SA 520 Analytical Procedures	1	1	2
SA 530 Audit Sampling	1	1	2
SA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	2	2	4
SA 550 Related Parties	1	1	2
SA 580 Written Representations	9	8	16
SA 610 Using the Work of Internal Auditors	1	1	2
SA 620 Using the Work of an Auditor's Expert	1	1	2
SA 700 Forming an Opinion and reporting on Financial Statements	1	1	2

SA 705 Modification to the opinion in the Independent Auditor's Report	1	1	2
SA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	1	1	2
SA 720 The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	2	2	4

Annex B

Number and % of Audits having observations on Accounting Standards (AS) in reviews conducted during FY 2018-19:

Accounting Standards	Number of Observations	Number of Entities having observations	% of Entities to Total Entities (Total Entities =51)
AS - 1 Disclosure of Accounting Policies	7	6	12
AS -3 Cash Flow Statements	3	3	6
AS-5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	1	1	2
AS-6 Depreciation Accounting	2	2	4
AS - 9 Revenue Recognition	5	4	8
AS - 10 Accounting for Fixed Assets (<i>now Property, Plant and Equipment</i>)	1	1	2
AS - 15 Employee Benefits	2	2	4
AS-17 Segment Reporting	2	1	2
AS-18 Related Party Disclosures	4	3	6
AS-19 Leases	1	1	2
AS - 20 Earnings Per Share	2	2	4
AS-21 Consolidated Financial Statements	2	2	4
AS - 22 Accounting for Taxes on Income	1	1	2
AS - 26 Intangible Assets	3	3	6
AS - 29 Provisions, Contingent Liabilities and Contingent Assets	1	1	2

Annex C

Number and % of Audits having observations on Other Relevant Laws and Regulations in reviews conducted during FY 2018-19:

Other Relevant Laws and Regulations	Number of Observations	Number of Entities having observations	% of Entities to Total Entities (Total Entities =51)
Schedule III of the Companies Act, 2013	15	10	20
CARO, 2016	2	2	4
Others	22	11	22

Annex D

Meetings Organised during FY 2018-19

The details of meetings held during the financial year 2018-19 of the Quality Review Board, constituted by the Government of India u/s 28A of the Chartered Accountants Act, 1949, and various Groups/Sub-Committees constituted by the Board are as follows:-

Quality Review Board

1. 55th meeting of the Quality Review Board held on 18th June, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
2. 56th meeting of the Quality Review Board held on 16th July, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
3. 57th meeting of the Quality Review Board held on 21st December, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
4. 58th meeting of the Quality Review Board held on 21st February, 2019 at ICAI Bhawan, Indraprastha Marg, New Delhi.

Quality Review Group/Quality Review Group-I

5. 31st meeting of the Quality Review Group constituted by the QRB held on 9th May, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
6. 32nd meeting of the Quality Review Group constituted by the QRB held on 6th June, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
7. 33rd meeting of the Quality Review Group constituted by the QRB held on 28th June, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
8. 34th meeting of the Quality Review Group constituted by the QRB held on 30th July, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
9. 35th meeting of the Quality Review Group constituted by the QRB held on 26th October, 2018 and continued on 2nd November, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
10. 36th meeting of the Quality Review Group-I constituted by the QRB held on 29th January, 2019 at ICAI Bhawan, Indraprastha Marg, New Delhi.
11. 37th meeting of the Quality Review Group-I constituted by the QRB held on 19th February, 2019 at ICAI Bhawan, Indraprastha Marg, New Delhi.
12. 38th meeting of the Quality Review Group-I constituted by the QRB held on 6th March, 2019 at ICAI Bhawan, Indraprastha Marg, New Delhi.
13. 39th meeting of the Quality Review Group-I constituted by the QRB held on 28th March, 2019 at ICAI Bhawan, Indraprastha Marg, New Delhi.

Sub-Committee-I

14. 18th meeting of the Sub-Committee-I of QRB held on 24th September, 2018 by teleconferencing at ICAI Bhawan, Indraprastha Marg, New Delhi.
15. 19th meeting of the Sub-Committee-I of QRB held on 12th December, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.

Audit Committee of QRB

16. 4th meeting of the Audit Committee constituted by the QRB held on 6th June, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
17. 5th meeting of the Audit Committee constituted by the QRB held on 26th October, 2018 at ICAI Bhawan, Indraprastha Marg, New Delhi.
18. 6th meeting of the Audit Committee constituted by the QRB held on 19th February, 2019 at ICAI Bhawan, Indraprastha Marg, New Delhi.

Glossary

AS	Accounting Standard
CA	Chartered Accountant
CARO	Companies Auditor's Report Order
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPE	Continuing Professional Education
EQCR	Engagement Quality Control Review
ESOP	Employees Stock Ownership Plan
FRRB	Financial Reporting Review Board
FY	Financial Year
HR	Human Resources
ICAI	The Institute of Chartered Accountants of India
IFIAR	International Forum of Independent Audit Regulators
IT	Information Technology
NFRA	National Financial Reporting Authority
QRB	Quality Review Board
QRG	Quality Review Group
SA	Standard on Auditing
SQC	Standard on Quality Control
TR	Technical Reviewer
UK	United Kingdom

About QRB

In exercise of the powers conferred u/s 28A of the Chartered Accountants Act, 1949, the Central Government of India, by Notification No. GSR 448 (E) dated 28th June, 2007, constituted a Quality Review Board (QRB) consisting of a Chairperson and ten other members as an independent body to review the quality of services rendered by chartered accountants in the country. It is a robust set-up where the Central Government nominates the Chairperson and five members. Members are nominated from amongst the persons of eminence having experience in the field of law, economics, business, finance or accountancy. ICAI nominates the other five members. Majority of members of QRB are independent of the profession. Since FY 2012-13, QRB has formalised a distinct and strong system of independent review of statutory audit services of the audit firms in India. For more details, please visit www.qrbca.in