



QUALITY REVIEW BOARD

(Established under an Act of Parliament)

In Pursuit of Professional Excellence of Chartered Accountants in India

लेखापरीक्षा गुणवत्ता पुनर्विलोकन रिपोर्ट

Report on Audit Quality Review

2023-24

© क्वालिटी पुर्नविलोकन बोर्ड, भारत सरकार द्वारा चार्टर्ड एकाउंटेंट्स अधिनियम, १९४९ की धारा २८ए के अंतर्गत स्थापित।

सर्वाधिकार सुरक्षित। यह रिपोर्ट चार्टर्ड एकाउंटेंट्स अधिनियम, १९४९ की धारा २८ए के अंतर्गत भारत सरकार द्वारा स्थापित क्वालिटी पुर्नविलोकन बोर्ड द्वारा तैयार की गई है। इस रिपोर्ट के किसी भी हिस्से को क्वालिटी पुर्नविलोकन बोर्ड से लिखित रूप में बिना पूर्व अनुमति के पुनः प्रस्तुत नहीं किया जा सकता है, न ही एक पुनर्प्राप्ति प्रणाली में संग्रहीत किया जा सकता है अथवा प्रेषित किया जा सकता है, किसी भी रूप में या किसी भी तरह से, इलेक्ट्रॉनिक, मैकेनिकल, फोटोकॉपी, रिकॉर्डिंग, या अन्यथा किसी प्रकार से।

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<http://www.qrbca.in>

नवंबर २०२४

November, 2024

क्वालिटी पुर्नविलोकन बोर्ड | Quality Review Board

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From the Chairperson's Desk



It gives me immense pleasure to present the 13th Annual Report of Quality Review Board (QRB/ Board). This report reflects the QRB's sustained efforts, during the year 2023 – 24, to promote and ensure high-quality audit practices that enhance confidence in financial reporting and safeguarding the public interest. The landscape of auditing is rapidly evolving, driven by advancements in technology, increasing regulatory scrutiny, and a demand for greater accountability and transparency.

In an increasingly complex and fast-changing socio-economic environment, the role of auditors has never been more critical. Stakeholders ranging from regulators and investors to the public at large rely on auditors to provide an independent and reliable assessment of financial statements. In this context, the role of QRB is not only to evaluate the current state of audit quality but also to offer guidance and resources that enable audit firms to continually enhance their practices. The advisories issued by the Board are important source of professional upskill available to the auditors. We have also compiled the areas of improvement in compliance with financial reporting requirements such as Ind AS / AS, SA, CARO, Schedule III to the Companies Act, 2013 and SQC – 1 etc. and presented the same in the later part of the annual report.

Since 2021-22 when I was given an opportunity to work as Chairperson, QRB, alongside my esteemed colleagues in the Board, we have taken some important initiatives bringing in improvement in the procedures which I believe will further strengthen the review mechanism and thereby the audit practices in the years to come. Few key changes worth discussing here are amendment in the Chartered Accountants Act, 1949 to empower the Board to refer the case having material non-compliance directly to the Disciplinary Committee of ICAI, decision of the Board to forward the cases of non-compliance to Ministry of Corporate Affairs for its information and necessary action, revision of the Standard Operating Procedure (SOP) for conducting reviews ensuring timely completion of reviews, initiating development of QRB portal to automate the activities related to reviews and other workflows. I am confident that as we move forward, the Board will continue to strengthen its processes to achieve its objectives more efficiently and effectively. The Board has also shared with the ICAI various advisories issued over the years for bringing out Guidance Note for the benefit of the auditing firms.

This year's report highlights the reviews undertaken across various sectors, especially those with systemic importance and heightened regulatory focus. Our findings underscore the importance of audit firms maintaining a robust framework for quality control and ensuring adherence to evolving standards and regulatory requirements. These quality reviews, which were conducted with a focus on compliance, objectivity and transparency, have provided valuable insights into both areas of strength and those requiring improvement. During the financial year 2023-24, the Board completed reviews of 33 Private Limited Companies and audit quality of their statutory auditors, involving 30 Audit Firms. The report presented here summarises the key findings of the Board noted during the course of such Quality Reviews. It also outlines the review approach, expectations, audit firm selection criteria, and the methodologies engaged in the review assessments.

The Key highlights of the report include:

- Trend of the decisions taken by the Board based on the observations of Quality Reviews conducted since the inception of the Board
- Summary of the advisories issued by the Board
 - Insights from the audit quality reviews, categorised basis the applicable technical standards i.e., Standards on Quality Control and Standards on Auditing
 - Observations pertaining to Financial Reporting classified basis the Accounting Standards viz. Ind AS and IGAAP along with the relevant Division of Schedule III of Companies Act 2013
 - Findings relating to other relevant laws and regulations including CARO and Companies Act 2013 and
 - Matters of general guidance for audit firms

The objective of bringing out this annual report is to enable audit firms to take proactive measures to address identified deficiencies and elevate their audit quality as well as to flag the areas of recurring non-compliances to the ICAI so they may intensify training efforts and guidance, as they may deem fit.

I extend my gratitude to Dr. Manoj Govil, Secretary (Corporate Affairs) during the period of the report, Ms. Deepti Gaur Mukerjee, Present Secretary (Corporate Affairs), Mr. Inder Deep Singh Dhariwal, Joint Secretary (Corporate Affairs), CA. Ranjeet Kumar Agarwal, President of ICAI, CA. Charanjot Singh Nanda, Vice-President of ICAI, and CA. (Dr.) Jai Kumar Batra, Secretary of ICAI, for their unwavering support to the activities and initiatives of the Board. I am also thankful to Shri Deepak Kapoor, Director General (Commercial), C&AG, for his contribution by way of Chairing the Quality Review Group I (QRG-I) and Shri. Rajesh Kumar Bhoot, Pr. Commissioner of Income Tax (APA-2), for Chairing Quality Review Group II (QRG-

II), which examines the quality review reports and provide their recommendations to the Board in a very precise and effective manner.

I would also like to thank all the other members and special invitees of the Quality review Board Shri. Deep Mani Shah from SEBI, CA. Pramod Jain, CA. Durgesh Kumar Kabra, CA. Dayaniwas Sharma, CA. Abhay Kumar Chhajer, CA. Chandrashekhar V. Chitale and Shri. Chandra Wadhwa for their significant contributions over the last year. I also appreciate the efforts of CA. Aakanksha Khanna Kapoor, Secretary of the QRB, CA. Ashish Tiwari, Assistant Secretary, CA. Rahul Dayal and the entire QRB secretariat in preparing this report and for providing continued assistance to the Board.

Together, let us continue to uphold the highest standards of audit quality, ensuring that trust in our financial reporting system is not only maintained but strengthened.

सादर,

एसडी/-

शेफाली शाह

Shefali Shah

अध्यक्ष, क्वालिटी पुर्नवलोकन बोर्ड

Chairperson, Quality Review Board

स्थान: नोएडा

दिनांक: २०.११.२०२४

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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. Ms. Shefali Shah, IRS (Retd.), New Delhi - Chairperson (wef 01.12.2021)
2. Mr. Inder Deep Singh Dhariwal, Joint Secretary, Ministry of Corporate Affairs, Government of India, New Delhi – Member (wef 30.09.2022)
3. Mr. Deep Mani Shah, Chief General Manager, Securities and Exchange Board of India, Mumbai - Member (wef 12.10.2023)
4. Mr. Deepak Kapoor, Director General (Commercial-II), Office of the Comptroller & Auditor General of India, New Delhi – Member (wef 29.11.2022)
5. Mr. Rajesh Kumar Bhoot, Joint Secretary (FT&TR)-II, CBDT, Ministry of Finance, Government of India, New Delhi - Member (wef 12.10.2023)

Nominees of the Council of the ICAI

6. CA. Chandrashekhar V. Chitale, Central Council Member, ICAI, Pune – Member (wef 24.08.2023)
7. CA. Durgesh Kumar Kabra, Central Council Member, ICAI, Mumbai – Member (wef 24.08.2023)
8. CA. Dayaniwas Sharma, Central Council Member, ICAI, Hyderabad – Member (wef 24.08.2023)
9. CA. Abhay Kumar Chhajed, Central Council Member, ICAI, Bhopal – Member (wef 24.08.2023)
10. CA. Pramod Jain, Central Council Member, ICAI, New Delhi – Member (wef 24.08.2023)

Special Invitees

- Mr. Chandra Wadhwa, Council Member, ICAI, New Delhi – Special invitee (nominated by the Central Government wef 10.06.2016)
- CA. (Dr.) Jai Kumar Batra, Secretary, ICAI – Special invitee

Secretary to the Board

- CA. Aakanksha Khanna Kapoor, Joint Director, ICAI

Composition of Sub-Committees/Groups of the Quality Review Board

The current composition along with terms of reference of various Sub-committees/Groups constituted by the Quality Review Board is as follows: -

A. Quality Review Group -I (QRG-I)

Terms of Reference:

QRG-I may perform, inter alia, the following functions and submit its recommendations, from time to time, to the Quality Review Board (QRB) for its further consideration: -

- Review the quality of audit services of audit firms, selected by the QRB, with assistance of Technical Reviewers in terms of the Procedure for Quality Review of Audit Services of Audit Firms issued by the QRB, as well as suggest various other necessary requirements, procedures, reporting and other formats, as it may deem fit, for conducting reviews of the quality of audit services of audit firms and submit its recommendations to the QRB.
- Perform such other functions as may be requested by the QRB from time to time.

Composition:

- Mr. Deepak Kapoor, Director General (Commercial-II), Office of the C&AG, New Delhi – Convenor
- Mr. Deep Mani Shah, Chief General Manager, Securities and Exchange Board of India, Mumbai– Member
- CA. Durgesh Kumar Kabra, Central Council Member, ICAI, Mumbai – Member
- CA. Pramod Jain, Central Council Member, ICAI, New Delhi – Member
- Secretary, QRB to provide necessary secretarial support.

B. Quality Review Group -II (QRG-II)

Terms of Reference:

QRG-II may perform, inter alia, the following functions and submit its recommendations, from time to time, to the Quality Review Board (QRB) for its further consideration:-

- Review the quality of audit services of audit firms, selected by the QRB, in respect of the cases placed before QRG-II, with assistance of Technical Reviewers in terms of the Procedure for Quality Review of Audit Services of Audit Firms issued by the QRB, as well as suggest various other necessary requirements, procedures, reporting and other formats, as it may deem fit, for conducting reviews of the quality of audit services of audit firms and submit its recommendations to the QRB.
- Perform such other functions as may be requested by the QRB from time to time.

Composition:

- Mr. Rajesh Kumar Bhoot, Pr. Commissioner of Income Tax (OSD) APA-2, Ministry of Finance, New Delhi – Convenor

- CA. Dayaniwas Sharma, Central Council Member, ICAI, Hyderabad – Member
- CA. Abhay Kumar Chhajed, Central Council Member, ICAI, Bhopal – Member
- Secretary, QRB to provide necessary secretarial support.

C. Sub-Committee-I

Terms of Reference:

Sub-Committee-I may perform, inter alia, the following functions and submit its recommendations, from time to time, to the Quality Review Board for its further consideration:-

- Recommend selection of Audit firms for quality review of their audit services and allotment of quality review work to the Technical Reviewers.
- Recommend Technical Reviewer/s that may be empanelled with the Quality Review Board and suggest measures as may be considered appropriate to further broad base the panel and issues connected therewith.
- Recommend industry specific experts, if required, for associating with the Quality Review Board.
- Look into all the issues arising from time to time relating to eligibility of Technical Reviewers to perform Quality Review assignments and the Sub-Committee could take appropriate decisions which may later on be informed to the Board for noting.
- Perform such other functions as may be prescribed from time to time.

Composition:

- CA. Dayaniwas Sharma, Central Council Member, ICAI, Hyderabad – Convenor
- CA. Abhay Kumar Chhajed, Central Council Member, ICAI, Bhopal – Member
- Mr. Deep Mani Shah, Chief General Manager, Securities and Exchange Board of India, Mumbai– Member
- Secretary, QRB to provide necessary secretarial support.

D. Audit Committee of QRB

Terms of Reference:

- To consider audit report and financial statements of Quality Review Board (QRB) and recommend to QRB adoption of the financial statements.
- To recommend to QRB appointment /re-appointment of Auditors of the QRB and their audit fees.

Composition:

- Mr. Deepak Kapoor, Director General (Commercial-II), Office of the C&AG, New Delhi – Convenor
- CA. Pramod Jain, Central Council Member, ICAI, New Delhi – Member
- The Audit Committee is further authorized to invite Auditor of the QRB
- Secretary, QRB to provide necessary secretarial support.

E. Expert Group to examine QRB Procedure for Quality Review of Audit Services of Audit Firms and other matters**Terms of Reference:**

Group may perform, inter alia, the following functions and submit its recommendations for further consideration by the Quality Review Board:-

- Keeping in view the experience gained during the process of reviews being carried out by the QRB, changes to the domestic regulatory framework for audit oversight as well as international practices and requirements for audit oversight, undertake holistic examination of the various aspects of reviews and make recommendations to the Quality Review Board, from time to time, for suggesting appropriate amendments, if required, to the Procedure for Quality Review of Audit Services of Audit Firms issued by the QRB.
- Update, from time to time, the Technical Guide on Conducting Quality Reviews for the guidance of Technical Reviewers.
- Perform such other functions as may be prescribed from time to time.

Composition:

- CA. Pramod Jain, Central Council Member, ICAI, New Delhi – Convenor
- CA. Chandrashekhar V. Chitale, Central Council Member, ICAI, Pune – Member
- Mr. Rajesh Kumar Bhoot, Joint Secretary (FT&TR)-II, Central Board of Direct Taxes, Ministry of Finance, New Delhi - Member
- Secretary, QRB to provide necessary secretarial support

Our Approach

Quality Review Board (QRB/ Board) established by the Government of India under the provisions of Section 28A of the Chartered Accountants Act 1949 is a dedicated Board formed with the objective to review the quality of services provided by the members of the ICAI including audit services. The Board reviews all the aspects of how an audit was performed by an audit firm with respect to the entities selected for the review. The Board, to review the quality of audit services, selects audit firms and entities based on a predefined criterion annually. While the focus of the review is to assess and thereby enable improvement in the audit quality services of the audit firms an equitable weightage is given to the quality of financial reporting by the preparers of the Financial Statements. The major focus of the reviews is on compliance with technical standards, relevant laws & regulations, statutory and regulatory requirements, quality of disclosures and reporting, ethical standards and firm's quality control framework. The Board ensures that persons involved in the review exercise, at all stages, maintain confidentiality of information and avoid conflict of interest.

Cases of non-compliances where:

- financial statements are not materially prepared in accordance with the requirements of the applicable financial reporting framework considering qualitative aspects of the entity's accounting practices as would affect the truth and fairness of the financial statements and auditor has not reported accordingly as per applicable standard on auditing; or
- auditor has not obtained reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error; or
- auditor does not express a modified opinion when, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually, or in aggregate, are material; or
- in other cases of non-compliances of technical standards or other relevant guidance or other relevant laws and regulations as would materially affect the truth and fairness of the financial statements;

are forwarded to the Disciplinary Directorate of the ICAI for its examination. In line with the decision taken by the Board at its 75th meeting, such cases of non-compliance are intimated to Ministry of Corporate Affairs (MCA) as well.

In other cases, involving matters of improvement to various requirements of technical standards, other relevant laws and regulations and other relevant guidance which are not material in nature as would affect the truth and fairness of the financial statements, individually or in aggregate, QRB issues advisory to the concerned AFUR for undertaking remedial measures for improvement in quality of services in future. These are also followed-up for compliance within a specified period. In matters involving general guidance that needs to be issued to the Audit firms/ members at large, recommendations are made to the Council of the ICAI in an aggregated manner at appropriate intervals.

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. These reports are widely disseminated and publicly made available at QRB website.

Our Expectations

Audit firms should continue their efforts to improve audit quality on a consistent basis by keeping abreast with the latest developments in the field of auditing and accounting and other regulatory framework. Further, the Audit firms which have been reviewed should address the deficiencies identified and highlighted by performing a root-cause analysis. This will help them prevent these issues from recurring.

We also encourage all the Audit firms to take note of the key findings and trends published annually in the 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

QRB has adopted risk-based approach for selection of audit engagements for initiating audit quality reviews. After the constitution of National Financial Reporting Authority (NFRA) under Section 132 of the Companies Act 2013, QRB is undertaking review 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 the year 2023-24, QRB had decided to select private limited companies not falling under Rule 3(1) of NFRA Rules, 2018 for initiating their audit quality review. Private limited companies were selected following risk based approach from various industries susceptible to risk including regulatory concerns pointing towards stakeholder risks, on account of being part of a sector otherwise identified as being susceptible to risk on the basis of market intelligence reports, serious accounting irregularities in the financial statements highlighted by the media reports and major non-compliances under relevant statutes highlighted in past QRB reviews. Keeping in view the contribution of Urban Co-operative Banks (UCBs) in furthering financial inclusion goals as well as their relevance in the Indian economy, the Board decided to undertake reviews of certain number of UCBs as well.

The statutory auditors in respect of the entities so selected, are identified for their audit quality review as per their quality review cycle determined in terms of the Procedure for Quality Review of Audit Services of Audit Firms. Generally, maximum of three audit engagements in respect of a particular Audit

firm are selected for review during a particular quality review cycle covering entities of varied industries, size, geographical spread and regulatory concerns. Further, in the absence of any adverse finding in a past review, not more than one audit engagement of the same engagement partner/ proprietor of an Audit firm may be selected for quality review by the Board during a particular quality review cycle. However, in case of any adverse findings in past review/s or in any other situation, QRB may conduct quality review of any particular Audit firm or of a particular engagement partner at more frequent interval and/or select more than 3 audit engagements. In case of a joint central statutory audit of a selected entity, normally, each of the joint central statutory auditors are selected for review.

The Board assigns the audit quality review, so selected, to the empanelled Technical Reviewers as per the Standard Operating Procedure.

How We Conduct Audit Quality Review

QRB has constituted Quality Review Group-I (QRG-I) and Quality Review Group-II (QRG-II) to conduct preliminary reviews with a view to assess the quality of audit and reporting by the auditors. QRG-I and QRG-II are 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 role of the TRs is to conduct on-site and off-site review with a view to assess the quality of audit and reporting by the auditors, and the review of quality control framework adopted by the AFURs in conducting audit. The TR, based upon the conclusions drawn from the review, shall first issue a preliminary report to the AFUR for their reply on his observations and subsequently, based upon the replies of the AFUR, TR issues the final report to the QRB and AFUR. AFUR is once again provided an opportunity to submit its response on the observations raised in the final report to the QRB directly. The report, so prepared by the TR, alongwith the submissions of the AFUR thereon, are considered at the meetings of the QRG-I and QRG-II. The QRG-I and QRG-II may also consult the QRB on any issue, on which it feels that the guidance of the QRB is necessary. The QRG-I and QRG-II completes the review of cases referred to it by examining report of TR along with the replies of AFUR and submits its recommendations to the QRB. In the process, it also assigns rating to the work of Technical Reviewers.

Based on the recommendation of QRG-I and QRG-II, the QRB decides to (a) forward the cases where non-compliance have been observed to the Disciplinary Directorate of ICAI for its examination or (b) issue advisory and guidance to the AFUR for improvement in the quality of services which are subsequently followed-up for compliance or (c) accept the report and close the case if no/ trivial observations were reported on the quality of audit and reporting; and/ or (d) make recommendations to the Council in an aggregated manner for any matters of general guidance to the Audit firms/ members at large.

The QRB has specified the format for the Final Report and the Quality Review Program Questionnaire containing questions concerning various aspects of Standard on Quality Control (SQC) -1, Standards on Auditing, Accounting Standards/ Indian Accounting Standards (Ind AS), as applicable, Schedule III of the Companies Act, 2013 (Div.I / Div. II, as applicable), Companies Auditor's Report Order and other relevant laws and regulations. QRB has also specified certain focus areas for review for the Technical Reviewers requiring them to also submit a report on such matters.

Independence of the TR and also the members of the review team viz-a-viz the AFUR 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/her or any disciplinary action under the Chartered Accountants Act, 1949 / penal action under any other law taken/pending against him/her 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 AFUR, 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.
- e) TR is not from the city/region of head office of AFUR.

TRs are also required to submit declaration for independence and eligibility for each one of his/her 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.

How we conduct Audit Quality Review

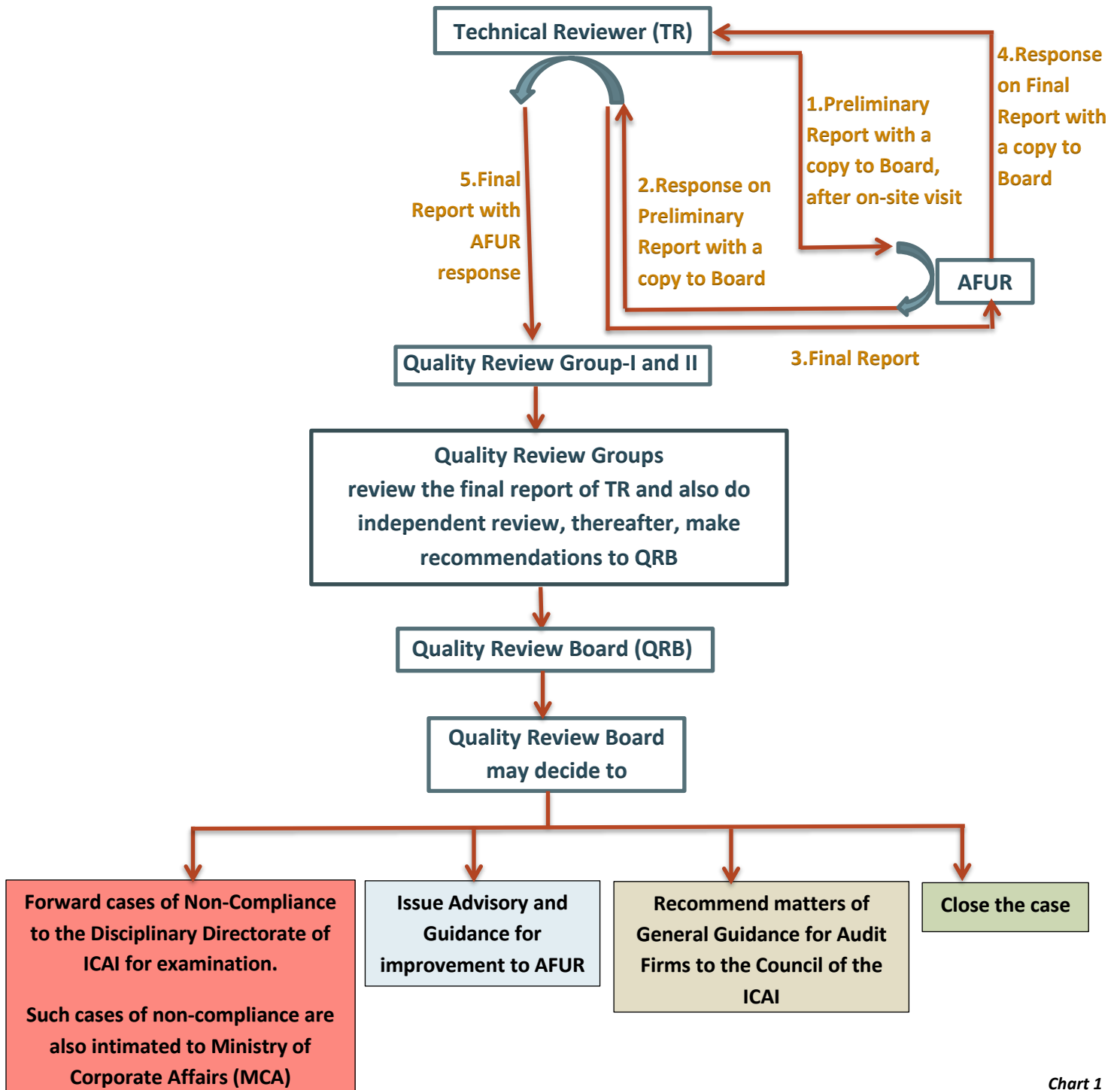


Chart 1

Trend of Audit Engagements Reviewed FY 2012-13 to FY 2023-24

Decisions taken on the basis of Audit Quality Reviews

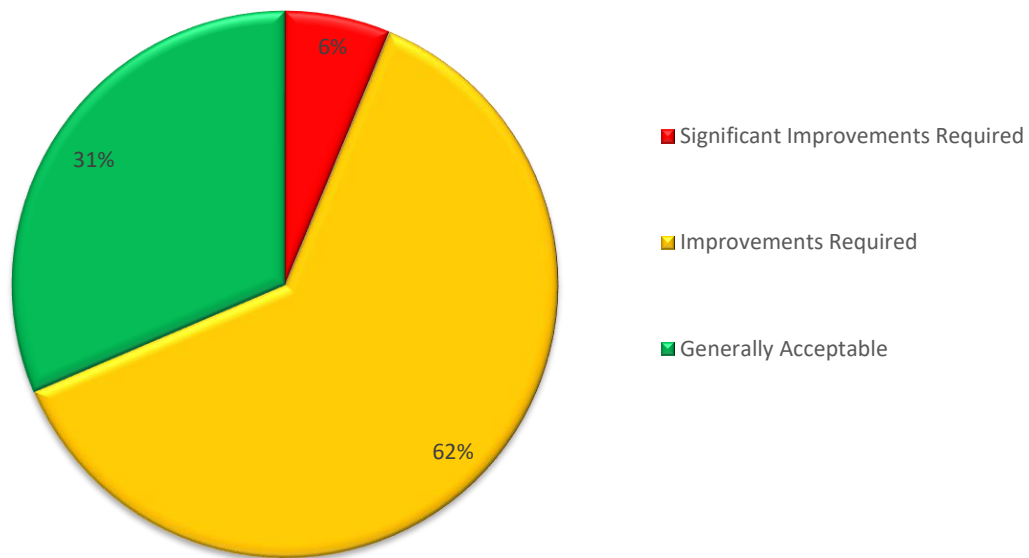


Chart 2

Action Taken

Since FY 2012-13 to FY 2023-24, the QRB has completed 656 reviews. Of these:

- 41 cases - 35 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 and 6 case forwarded to the Disciplinary Directorate of ICAI for its examination in terms of the requirements of Sec. 28B(d) of the Chartered Accountants Act, 1949.
- 409 cases - Advisories were issued by Quality Review Board to concerned AFURs for improvement in quality in terms of the requirements of Sec.28B(c) of Chartered Accountants Act, 1949.
- 206 cases – Closed with no further action.

Key Highlights – Review of Audits of Private Limited Companies (FY 2023-24)

Highlights given hereunder are with respect to the audit quality reviews completed by the Quality Review Board during the financial year 2023-24. The Board has completed reviews of 33 audit engagements consisting of 30 AFURs and 33 private limited companies. These findings pertain to financial statements of 4 private limited companies for the audit of financial year 2017-18, 8 private limited companies for the audit of financial year 2018 -2019 and 21 private limited companies for the audit of financial year 2020-2021. These findings have been categorised under various sections such as Standards on Auditing, Accounting Standards viz. IGAAP along with Division I of Schedule III and Ind AS along with Division II of Schedule III and Other Relevant Laws and Regulations.

a) Profile of Selected Private Limited Companies and AFURs

❖ Profile of Selected Private Limited Companies – Industry wise

The following chart represents the number of industries forming part of the 33 selected private limited companies. It can be seen that maximum 5 companies are from Trading followed by 4 companies each from FMCG, Pharmaceutical and Food Processing and so on.

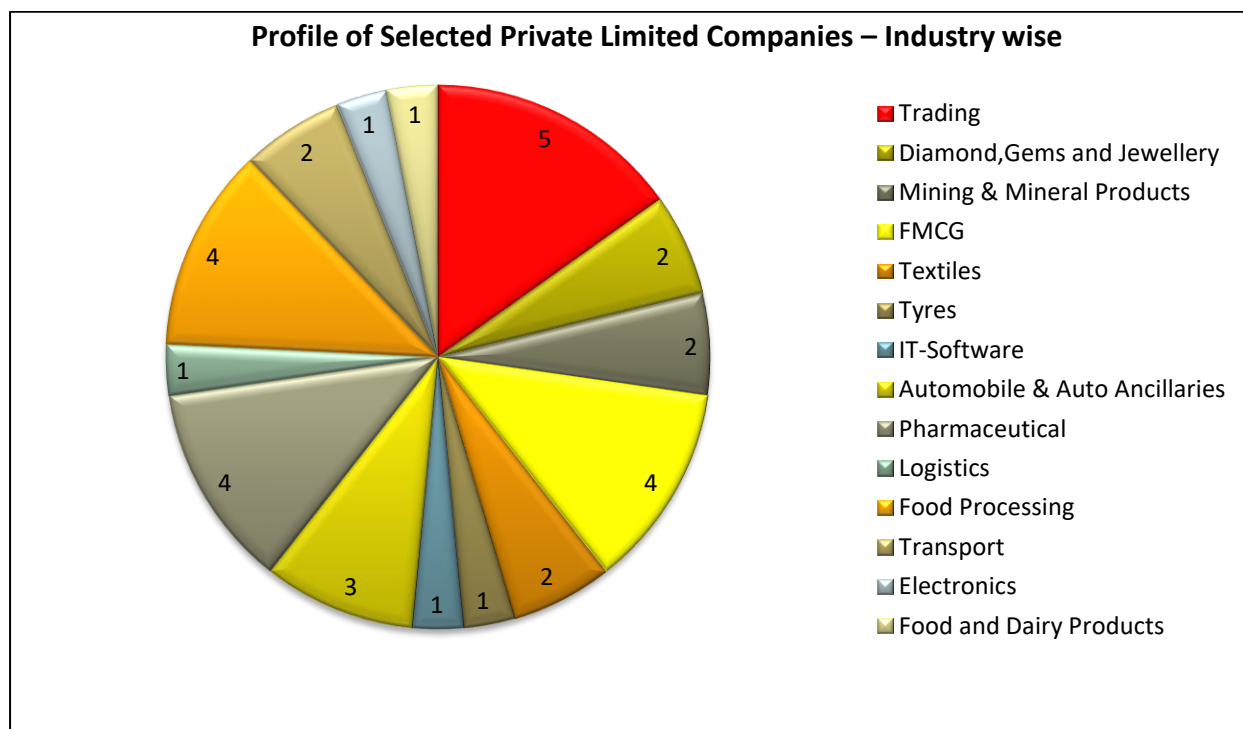


Chart 3

❖ Profile of Selected AFURs – Number of Partners and Region wise break-up

The following charts represent the break-up of selected AFURs in terms of the number of partners and region of the firms. Out of 30 AFURs selected during the period, 18 AFURs had below 10 Partners, 5 AFURs had between 10-19 Partners and 7 AFURs had 20 and above Partners.

Further, out of 30 AFURs, 11 AFURs are from the Western Region followed by 7 AFURs from the Northern Region, 5 AFURs from the Southern Region 4 AFURs from the Eastern Region and 3 AFURs from Central Region.

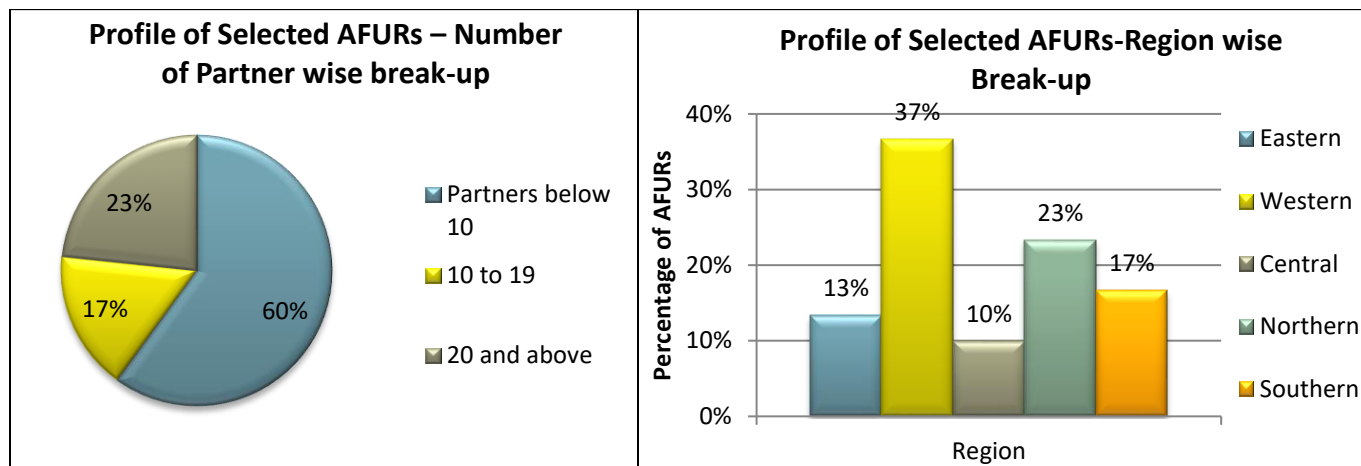


Chart 4

Chart 5

b) Findings of Audit Engagements Reviewed

The following chart represents the decisions taken based on the findings of the Audit Quality review carried out in respect of 33 audit engagements of private limited companies, during the year. In 85% of the audits reviewed, QRB has initiated action, while 70% cases required improvement where QRB issued advisories to the concerned AFURs to ensure improvement in the quality of their services in future, 15% cases were forwarded to the Disciplinary Directorate of the ICAI for its examination. Further, 15% cases were found to be acceptable and therefore closed with no further action.

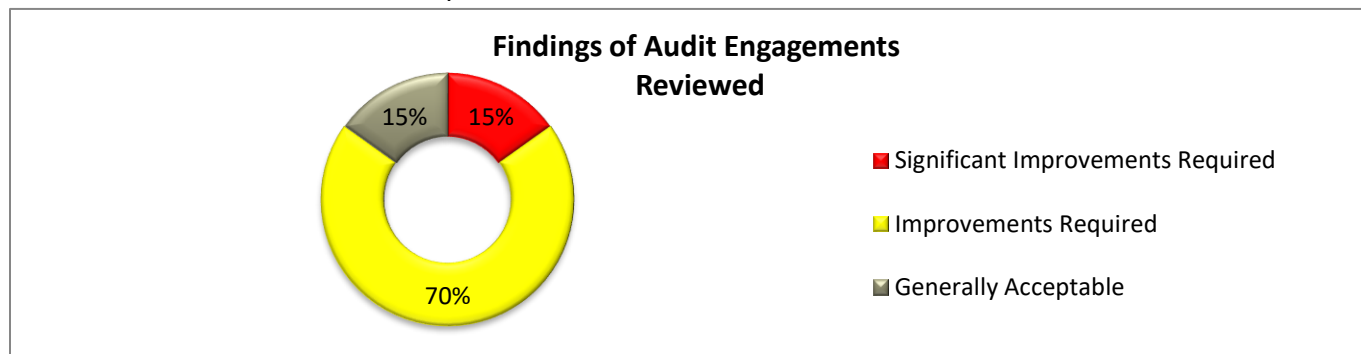


Chart 6

Action Taken

For FY 2023-24, QRB has completed reviews of 33 audit engagements of 33 private limited companies in respect of 30 AFURs. Of these:

- 5 case - Forwarded to the Disciplinary Directorate of ICAI for its examination in terms of the requirements of Sec. 28B(d) of the Chartered Accountants Act, 1949.
- 23 cases - Advisories were issued by Quality Review Board to concerned AFURs for improvement in quality in terms of the requirements of Sec. 28B(c) of Chartered Accountants Act, 1949.
- 5 cases - Closed.

❖ Break-up of Action Taken - Type of AFURs wise

The following chart represents further break-up of the action taken in respect of the audit engagements reviewed as per type of AFURs. AFURs are divided into 3 categories namely, AFURs having Partners below 10, between 10-19 Partners and with 20 and above Partners.

As can be seen below, in the case of AFURs having less than 10 Partners, 36% cases required improvement where advisories were issued by the QRB, 15% cases were forwarded to Disciplinary Directorate and 3% cases were closed with no further action. In case of AFURs having between 10 – 19 Partners, 12% cases required improvement where advisories were issued by the QRB and 3% cases were closed with no further action. In case of AFURs having 20 and above Partners, 21% cases required improvement where advisories were issued by the QRB and 9% cases were closed with no further action.

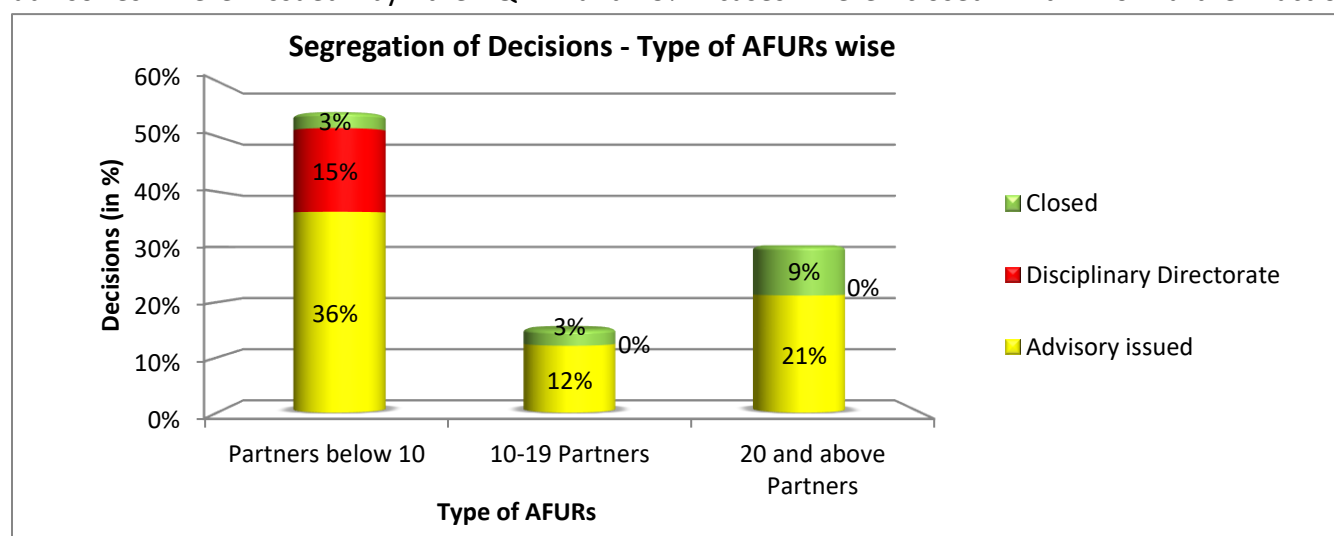


Chart 7

c) Analysis of Reviewed Audit Files

The following charts represent the analysis of reviewed AFURs in respect of audits of aforesaid private limited companies under different categories:-

❖ Percentage of reviewed AFURs having observations on various Standards on Auditing (SA)

The following chart represents the percentages of reviewed AFURs having observations under various SAs as noted during audit quality reviews. It can be seen that maximum AFURs had observations on Standard on Quality Control (SQC)-1 (23%) and SA 505 External Confirmations (23%) followed by SA 700 Forming an Opinion and Reporting on Financial Statements (20%) and so on.

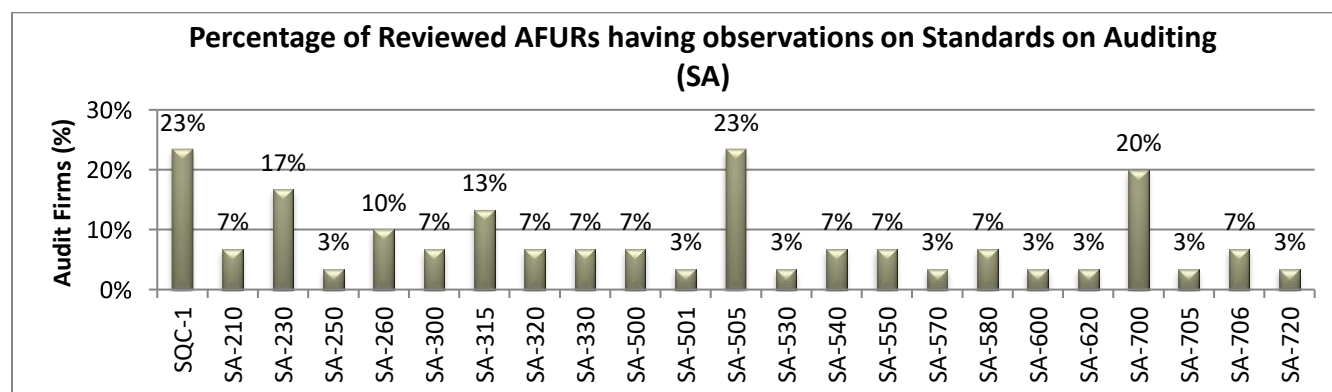


Chart 8

❖ Percentage of reviewed Entities having observations on Indian Accounting Standards (Ind AS)

The following chart represents the percentages of reviewed entities having observations under various Ind AS as noted during audit quality reviews. It can be seen that maximum entities had observations on Ind AS 1 Presentation of Financial Statements (24%) and Ind AS 24 Related Party Disclosures (21%).

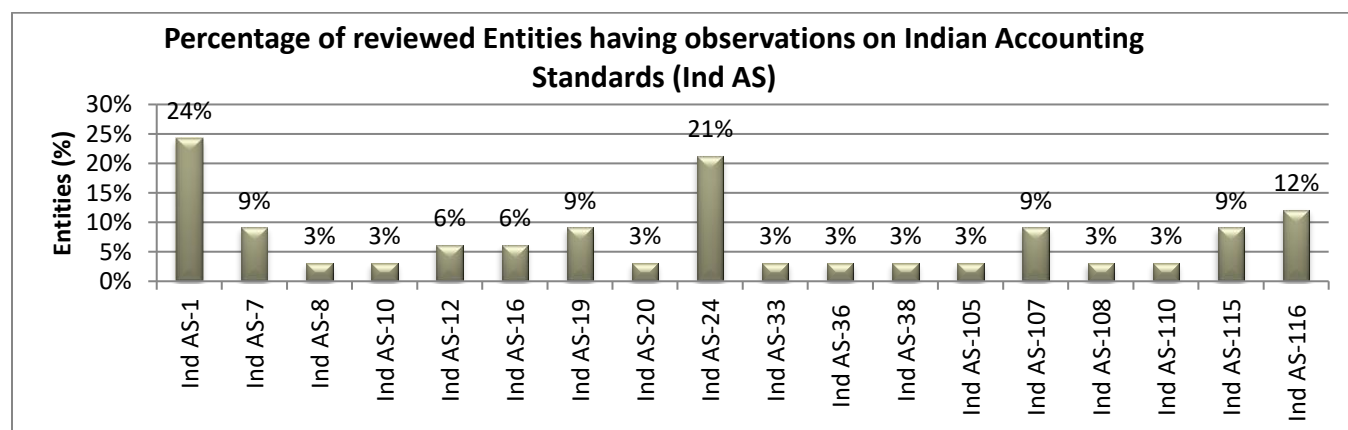


Chart 9

❖ Percentage of reviewed Entities having observations on Accounting Standards (AS)

The following chart represents the percentages of reviewed entities having observations under various AS as noted during audit quality reviews. It can be seen that maximum entities had observations on AS 1 Disclosure of Accounting Policies (18%), AS 3 Cash Flow Statements (18%), and AS 15 Employee Benefits (18%) followed by AS 13 Accounting for Investments (12%), AS 18 Related Party Disclosures (12%) and so on.

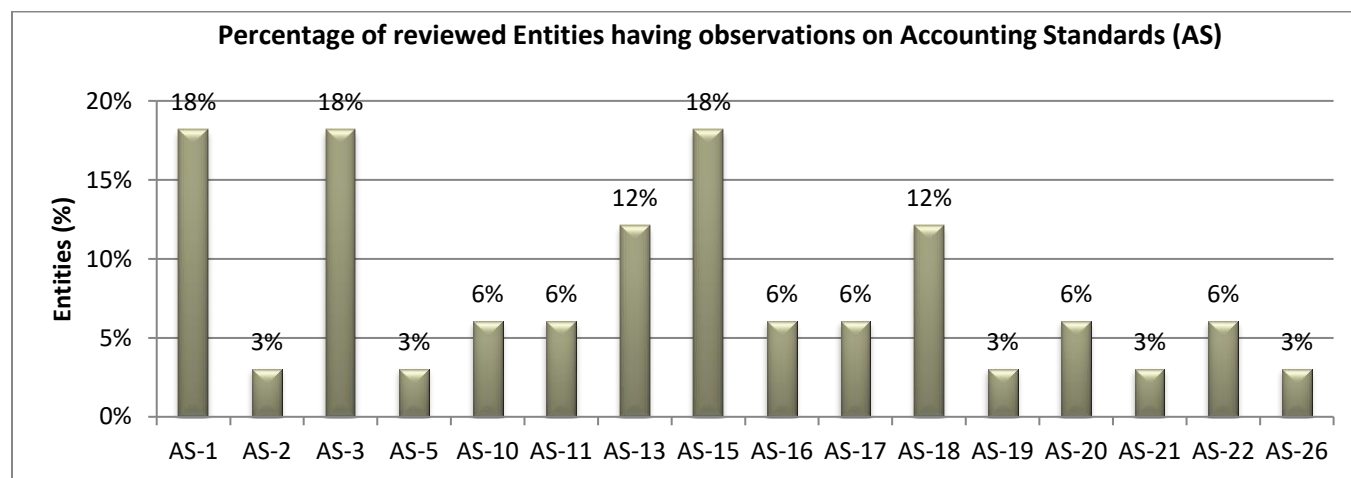


Chart 10

❖ Percentage of reviewed Entities having observations on Other Relevant Laws and Regulations

The following chart represents the percentages of reviewed entities having observations under Other Relevant Laws and Regulations as noted during audit quality reviews. It can be seen that maximum Entities had observations on Division I & II under Schedule III of the Companies Act, 2013 (67%) followed by CARO 2016 (30%), Companies Act, 2013 (21%), Others (18%).

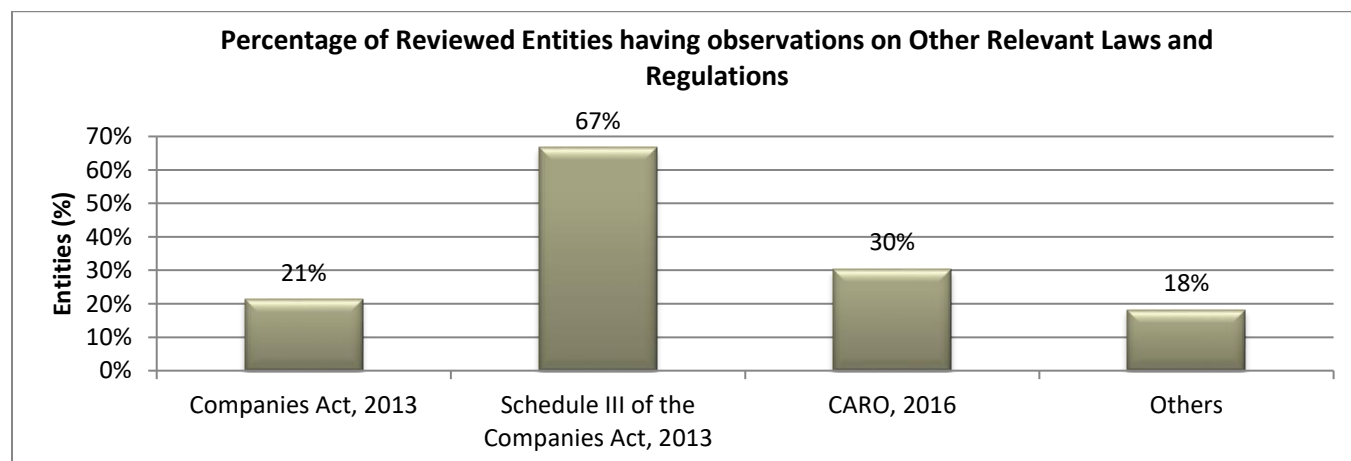


Chart 11

Summary of Observations

Engagement and Quality Control Standards

Standard on Quality Control (SQC) - 1

The following major observations in respect of Standard on Quality Control (SQC) – 1: Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements were noticed during the course of Quality Reviews undertaken during the year: -

Leadership Responsibilities for Quality within the Firm

- Not having policies and procedures requiring firm's chief executive officer (or equivalent) or, the firm's managing partners (or equivalent), to assume ultimate responsibility for the firm's system of quality control (*Para 9*).
- Not defining policy regarding experience required for assuming operational responsibility of firm's quality control system (*Para 12*).

Ethical Requirements

- Not establishing policies and procedures for ensuring the compliance with relevant ethical requirements, by the firm and its personnel. (*Para 14*).

Independence

- Independence confirmation declaration in the SQC Manual was not in line with the requirements of Sec. 141 (3) of the Companies Act, 2013 (*Para 18*).
- Not having policies and procedures requiring all who are subject to independence requirements to promptly notify the firm of independence breaches of which they become aware (*Para 20 a*).
- Not having the policies and procedures for obtaining annual written confirmation from all firm personnel as per paragraph 23 (*Para 23*).
- Not having policies and procedures setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time (*Para 25*).
- Not establishing policy & procedure for rotation of auditor as required under paragraph 27 (*Para 27*).

Acceptance and Continuance of Client Relationships and Specific Engagements

- Not having policies and procedures for the acceptance and continuance of client relationships and specific engagements only after meeting the required conditions on integrity of the client, competence and compliance with ethical requirements (*Para 28*).

- Not establishing the policies and procedures for the acceptance and continuance of client relationships (*Para 28*).

Human Resources

- Not having policies and procedures designed to provide with reasonable assurance that the firm has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances (*Para 36*).
- Not having documented procedure for selecting the audit engagement team for the engagements based on capabilities, competence and experience (*Para 45*).

Engagement Performance

- Not designing policies and procedures for the personnel to perform the engagement in accordance with professional standards and regulatory and legal requirements (*Para 46*).

Consultation

- Not having policies and procedures for consultation on difficult or contentious matters (*Para 51*).
- Not having detailed policy on internal consultation (*Para 56*).

Engagement Quality Control Review

- Not having policies and procedures for appropriate engagements, an engagement quality control review (*Para 60*).
- Not having policy for engagement quality control reviewer (*Para 60*).
- Not setting out criteria against which all other audits should be evaluated to determine whether an engagement quality control review should be performed (*Para 60(b)*).
- Not setting out criteria for eligibility of Engagement Quality Control Reviewer (*Para 63*).
- Not having policies and procedures for replacement of the engagement quality control reviewer where the ability to perform an objective review may be impaired (*Para 71*).

Engagement Documentation

- Not establishing the policies and procedures regarding assembly of final engagement files within 60 days from the date of auditor's report (*Para 74 & 75*).
- For having policy of retention of audit documentation for a period of 6 years instead of 7 years from the date of auditor's report (*Para 83*).
- Not adopting procedures for retention of engagement documentation providing a record of changes made to engagement documentation after the engagement files have been completed (*Para 84*).

Monitoring

- Not having policy for periodic inspection of selected completed engagements (*Para 86*).
- Not having any mechanism to document and monitor that the Firm's policies have been implemented in all respects and such policies are updated on a regular basis (*Para 86*).

Complaints and Allegations

- Not establishing policies and procedures for dealing with complaints and allegations (*Para 101*).
- Not having policies and procedures establishing clearly defined channels for firm personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals (*Para 103*).

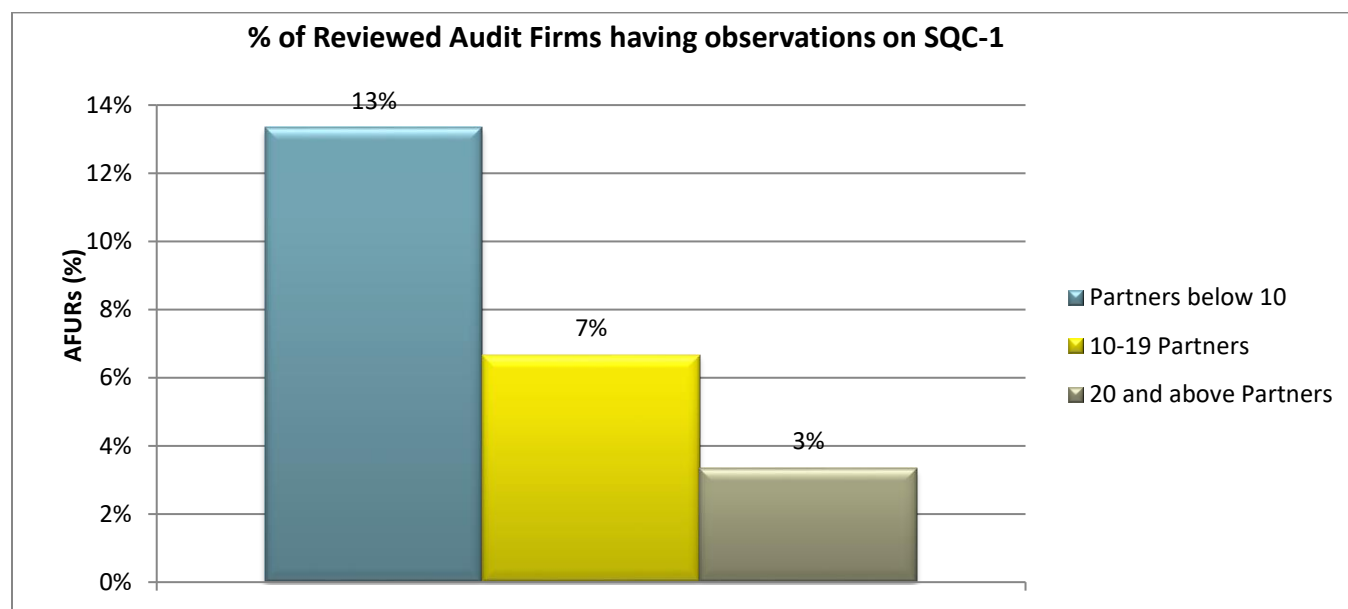


Chart 12

Standards on Auditing

The following major observations in respect of Standards on Auditing (SA) were noticed in the Audit files reviewed in respect of audits of reviews undertaken during the year: -

General Principles and Responsibilities (SA 210, 230, 250 and 260)

SA 210 - Agreeing the Terms of Audit Engagements

- Not including reference of the expected form and content of any reports to be issued by the auditor and a statement that there may be circumstances in which a report may differ from its expected form and content in the Audit Engagement Letter (*Para 10(e)*).

SA 230 - Audit Documentation

- Not keeping audit documentation for physical verification of inventory by the management (*Para 5*).
- Not documenting verification of fair value of unquoted current investments (*Para 8*).
- Not keeping an overall checklist of audit procedures performed (*Para 8*).
- Not preparing audit documentation to understand the nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements (*Para 8*).
- Not preparing the audit documentation for conclusions reached on the cut-off procedures for testing revenue and the significant professional judgements made in reaching those conclusions (*Para 8*).
- Preparing incorrect/incomplete audit check list (*Para 8*).
- Not evidencing the procedures performed in response to the assessed risks (*Para 8*).
- Not keeping audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the required matters (*Para 8*).
- Not preparing audit documentation on a timely basis (*Para 14*).
- Not documenting the date of assembly of final audit file (*Para 14*).

SA 250 - Consideration of Laws and Regulations in an Audit of Financial Statements

- Not communicating with those charged with governance the matter involving non-compliance for not establishing vigil mechanism in the Company as required by Section 177 of the Companies Act, 2013 (read with relevant Rules) for private limited company having borrowing from Banks and financial institutions of more than Rs. 50 crores (*Para 18, 22*).

SA 260 - Communication with Those Charged with Governance

- Not keeping evidence of sending the required communication to Board of Directors (*Para 9, 23*).
- Not documenting significant findings discussed with those charged with governance (*Para 15, 16, 23*).

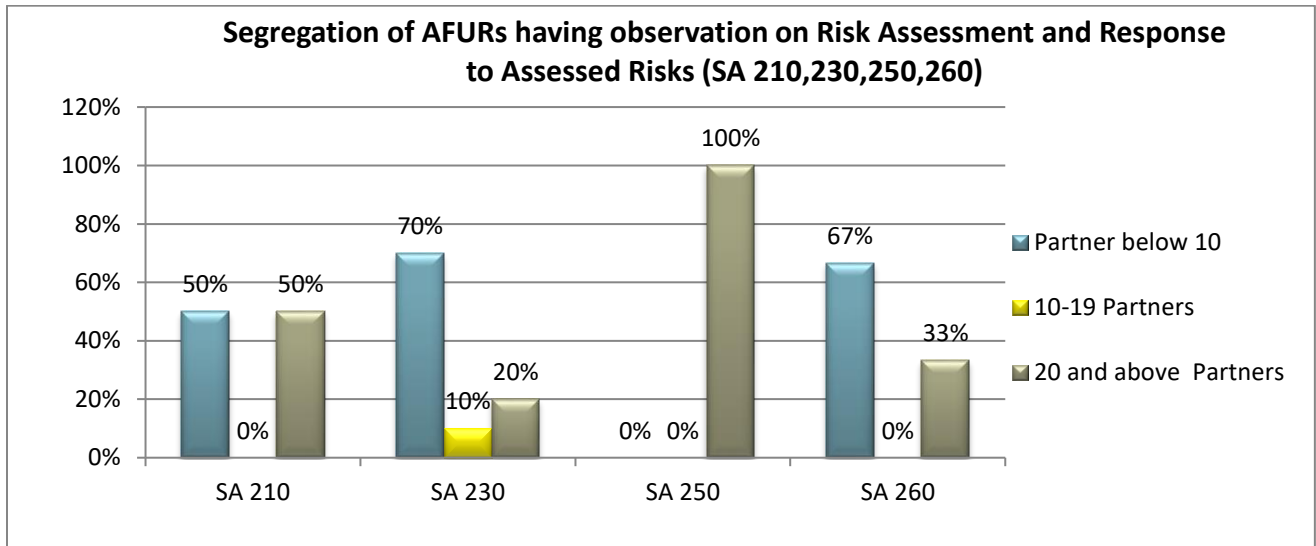


Chart 13

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

SA 300 - Planning an Audit of Financial Statements

- Not maintaining a detailed audit program on the areas to be covered, risks of material misstatement identified, material account balances and strategy on testing of controls (*Para 8*).
- Not covering the nature, timing and extent of planned risk assessment procedures as well as further audit procedures at the assertion level in audit plan (*Para 8*).
- Not documenting the audit plan (*Para 11*).

SA 315 - Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment

- Not documenting performance of analytical procedures as part of risk assessment procedures (*Para 6, 32*).
- Not documenting obtaining an understanding of the entity and its environment (*Para 11*).
- Not documenting the identified and assessed risks of material misstatement at the financial statement level and at the assertion level (*Para 32(c)*).
- Not documenting all risk assessment procedures performed at one place (*Para 32, A117*).

SA 320 - Materiality in Planning and Performing an Audit

- Not documenting the factors considered in determination of materiality for the financial statements as a whole and in revision as the audit progressed (*Para 14*).
- Not documenting materiality (*Para 14*).

SA 330 - The Auditor's Responses to Assessed Risks

- Not documenting the procedures performed with respect to verification of goods in-transit, reconciliation of purchases with purchase register, basis for the stage of completion for products in work-in-progress, verification of net realisable value with subsequent sales register etc. as overall responses to address the assessed risks of material misstatement at the financial statement level (*Para 5*).
- Not obtaining sufficient appropriate audit evidence as to the operating effectiveness of relevant controls (*Para 8*).
- Not documenting testing of HR-Payroll automated application controls (*Para 27*).

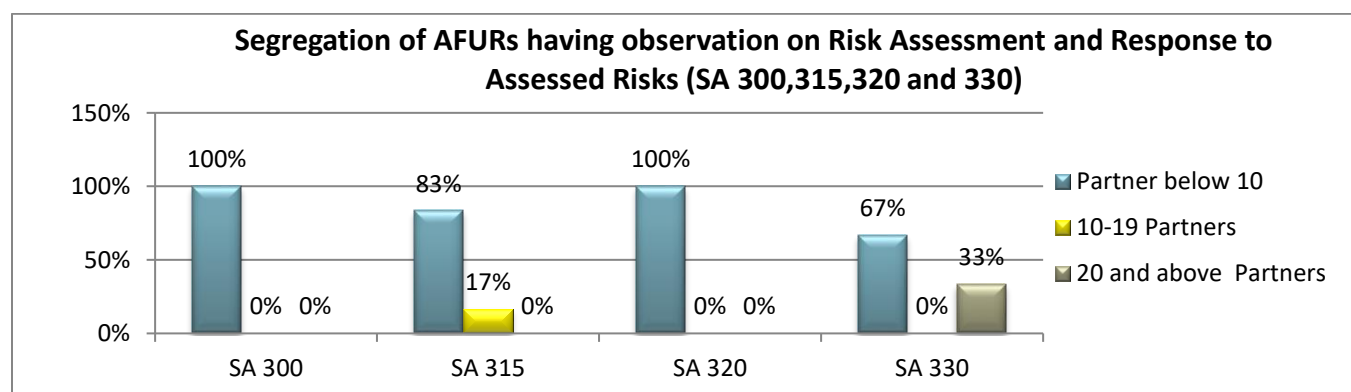


Chart 14

Audit Evidence (SA 500, 501, 505, 530, 540, 550, 570 and 580)

SA 500 - Audit Evidence

- Not obtaining sufficient, appropriate audit evidence for certain trade receivables, bank deposits and trade payables (*Para 6*).
- Not obtaining sufficient appropriate audit evidence for operating effectiveness of controls relating to existence and valuation of inventories (*Para 6*).
- Not performing appropriate audit procedures for obtaining sufficient appropriate audit evidence for inconsistent accounting treatment of gain/loss on forward contracts in the financial statements (*Para 6*).
- Not obtaining sufficient and appropriate audit evidence regarding other operating income (*Para 6*).
- Not obtaining sufficient and appropriate audit evidence regarding provision for compensated absences (*Para 6*).
- Not evaluating whether the management representation for recoverability of outstanding trade receivables is sufficiently reliable for the auditor's purposes (*Para 9*).

SA 501 - Audit Evidence – Specific Considerations for Selected Items

- Not documenting the procedures for identifying the litigations and claims involving the entity which may give rise to the risk of material misstatement (*Para 9*).

SA 505 - External Confirmations

- Not maintaining control over external confirmation requests while obtaining external confirmation from vendors & customers (*Para 7*).
- Not obtaining external confirmations, directly (*Para 7*).
- Not requiring responses to be sent directly to the auditor while designing external confirmation requests (*Para 7*).
- Not circulating external confirmation requests for confirmation of vendor and customer balances (*Para 7*).

SA 530 - Audit Sampling

- Not selecting items for the sample in such a way that each sampling unit in the population has a chance of selection (*Para 8*).

SA 540 - Auditing Accounting Estimates, including Fair Value Accounting Estimates and Related Disclosures

- Not incorporating in the management representation letter whether they believe significant assumptions used in making accounting estimates are reasonable (*Para 22*).
- Not documenting the basis for the auditor's conclusions about reasonableness of accounting estimates (*Para 23*).

SA 550 - Related Parties

- Not documenting audit procedures and related activities to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions (*Para 11*).
- Not documenting the procedures performed for identification of existence of related party relationships or transactions not previously identified or disclosed (*Para 11, 15*).

SA 570 - Going Concern

- Not documenting evaluation of management's assessment of the entity's ability to continue as a going concern (*Para 12*).

SA 580 - Written Representations

- Not incorporating in management representation letter the fact of providing all relevant information and access as agreed in the terms of audit engagement and recording and reflecting all transactions in the financial statements (*Para 10*).
- Not incorporating in the management representation letter that all relevant information and access as agreed in the terms of the audit engagement has been provided and not incorporating parameters as specified under Sec. 143(1) of Companies Act, 2013 (*Para 10*).

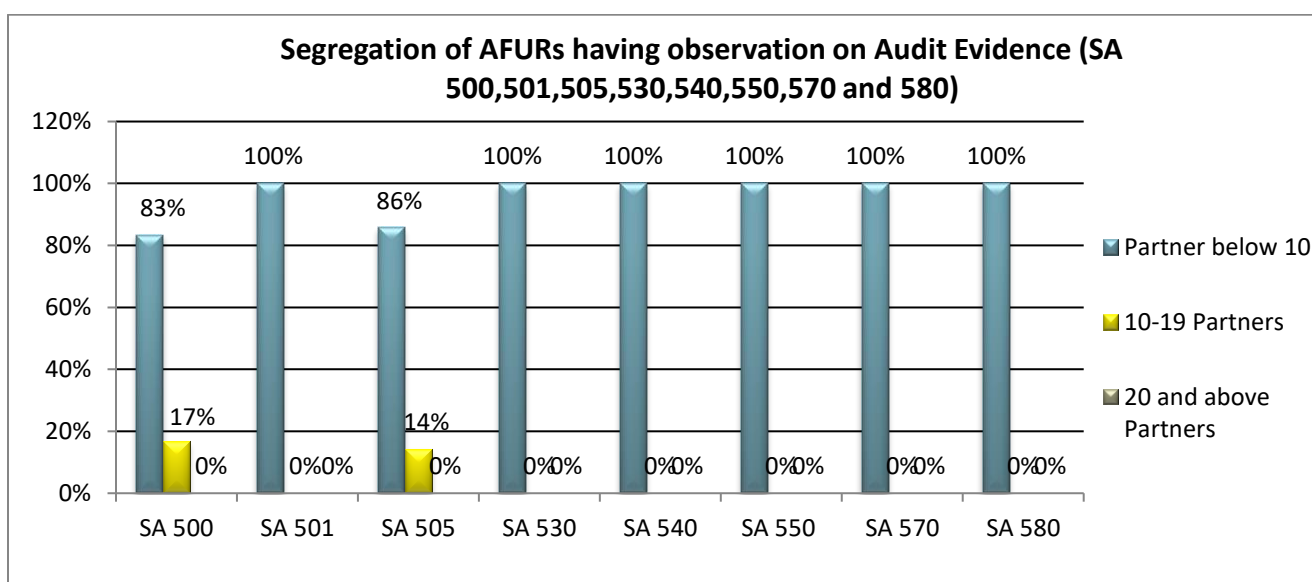


Chart 15

Using the Work of Others (SA 600 and 620)

SA 600 - Using the Work of another Auditor

- Not mentioning in the audit report division of responsibility for the financial information of the entity by indicating the extent to which the financial information of components audited by the other auditors have been included in the financial information of the entity (*Para 25*).

SA 620 - Using the Work of an Auditor's Expert

- Not maintaining evidence of evaluation of the work performed by the experts (*Para 9, 12*).

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

SA 700 - Forming an Opinion and Reporting on Financial Statements

- Not giving reference of "notes to the financial statements" in the opinion section of audit report (*Para 24 (d)*).
- Mentioning Companies (Accounts) Rules, 2014 instead of Companies (Indian Accounting Standards) Rules, 2015 in the Report on Other Legal and Regulatory Requirements (*Para 25a read with Illustration No.3*).
- Not giving reference of SAs under Auditor's Responsibilities para in the Standalone as well as Consolidated Audit report (*Para 39 & 40, Illustration 3*).

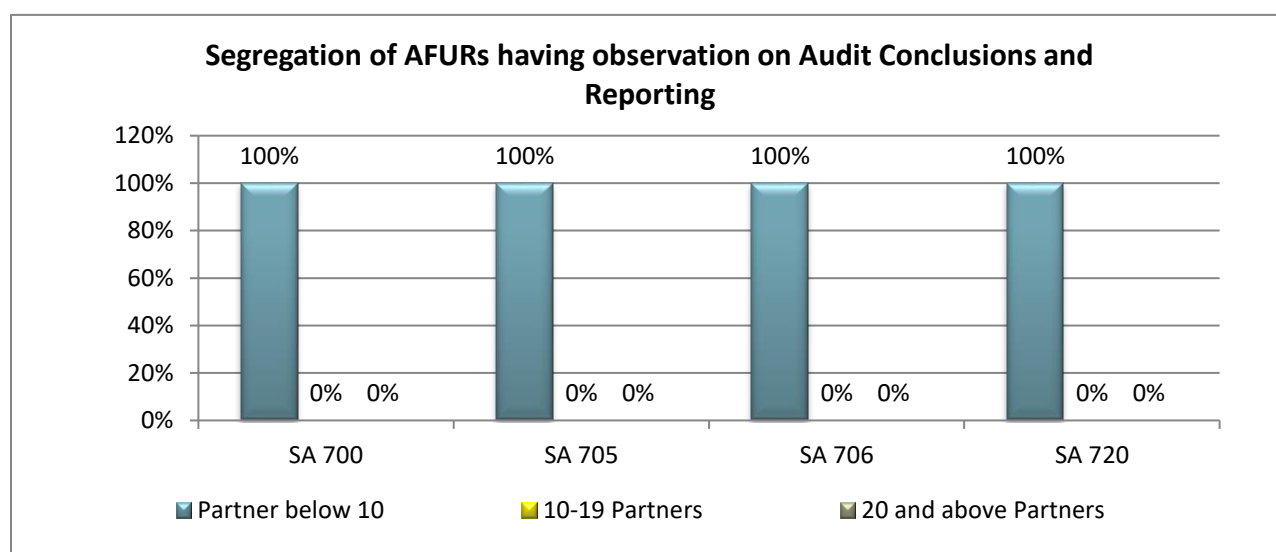


Chart 16

- Not using the word 'sought' while reporting u/s 143(3)(a) of the Companies Act, 2013 (*Para 43*).
- Not giving reference of 'Other comprehensive income' and 'Statement of changes in equity' while reporting u/s 143(3)(c) & (d) of the Companies Act, 2013 (*Para 43*).
- Use of heading as "Report on the Indian Accounting Standard (Ind AS) Financial Statements" instead of "Report on the Audit of Indian Accounting Standard (Ind AS) Financial Statements" in independent auditor's report (*Para 45*).
- Mentioning both 'profit' as well as 'loss' loss in opinion para of Consolidated Audit Report (*Para A22*).
- Not stating the term "Standalone" in the heading of auditor's report on standalone financial statements (*Illustration 3*).
- Reporting under other legal and regulatory requirements that no provision has been made for material foreseeable losses, if any, on long term contracts including derivative contracts even though there were no derivative contracts.

SA 705 - Modifications to the Opinion in the Independent Auditor's Report

- Not modifying the opinion on financial statements for not recognizing the provision on advance to wholly owned subsidiary remaining unpaid (both principal and interest) for a long period (*Para 7*).

SA 706 - Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

- Stating a matter, required to be disclosed under "Other matter", as "Key audit matter" in the Consolidated Audit Report (*Para 10, 11*).

SA 720 - The Auditor's Responsibilities Relating to Other Information

- Not including 'Other information' para in the Standalone as well as Consolidated Audit report (*Para 21*).

Indian Accounting Standards (Ind AS)

The following major observations in respect of Indian Accounting Standards (Ind AS) were noticed in the Audit files reviewed in respect of audits undertaken during the year: -

Ind AS 1 - Presentation of Financial Statements

- Not classifying the Liability for 'Government Grant Assistance – Lease Land / Capital subsidy' into non-current liability and current liability (*Para 60*).
- Not separately disclosing the write-down of inventories to net realizable value (*Para 98*).
- Cross-reference of notes in the financial statements was not given for certain items (*Para 113 & 114*).
- Not disclosing significant accounting policy with respect to Taxation, Earnings Per Share, Employee Benefit Expense, Expected credit losses, Other Income (*Para 117*).
- Not disclosing significant accounting policies in respect of, Segment Reporting, Functional Currency and Presentation Currency (*Para 117*).
- Not disclosing significant accounting policy with respect of investment, contingent liability and contingent assets, earning per share and dividends to shareholder (*Para 117*).
- Not disclosing accounting policy on investment property (*Para 117*).
- Not having accounting policy on valuation of inventory according to nature of business (*Para 117*).
- In the disclosures for managing capital, components of capital described did not match with those disclosed as capital in the notes to the financial statements (*Para 134*).
- Not disclosing proposed dividend (*Para 137*).

Ind AS 7 - Statement of Cash Flows

- Non-cash items like reversal of ECL provision and impairment of non-current investments were netted off instead of showing as separate line items under cash flows from operating activities (*Para 18b*).
- Non-cash items like bad debts written off, deposits /loans written off and balance written off were not considered to arrive at cash flows from operating activities (*Para 18b*).
- Interest received not reported in the cash flows from investing activities (*Para 31*).
- Interest payable as at the balance sheet date was reported as interest paid under cash flows from financing activities (*Para 32*).
- Adjusting total finance cost instead of adjusting only the interest expense in the Cash Flow Statement (*Para 32*).
- Tax paid is not presented under cash flows from operating activity (*Para 35*).
- Not disclosing the components of cash and cash equivalents in the cash flow statement (*Para 45*).

Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

- Not disclosing for the current period and each prior period presented, the amount of the adjustment due to change in accounting policy on inventory valuation policy, on each financial statement line item affected by such change (*Para 29 c*).

Ind AS 10 - Events after the Reporting Period

- Not disclosing the date when the financial statements were approved for issue and who gave the approval (*Para 17*).

Ind AS 12 - Income Taxes

- For incorrect measurement of deferred tax on gain on cash flow hedge in the OCI (*Para 5, 47*).
- Tax impact on item recognised in other comprehensive income was not recognised outside profit or loss (*Para 61A*).
- Not giving reconciliation of tax (*Para 81 (c) (i) and (ii)*).

Ind AS 16 - Property, Plant and Equipment

- Incorrect accounting policy for subsequent expenditure. The disclosed policy was not in line with the requirements of principles laid down in *Para 7*.
- Not disclosing useful life of assets held for R&D (*Para 73(c)*).

Ind AS 19 - Employee Benefits

- Disclosing post-employment defined contribution plan for gratuity as defined benefit plan (*Para 46*).
- Showing actuarial gain/loss in aggregate without giving its break-up under required heads (*Para 141(c)*).

Ind AS 20 - Accounting for Government Grants and Disclosure of Government Assistance

- Not disclosing the accounting policy adopted for government grants and the methods of presentation adopted in the financial statements (*Para 39*).

Ind AS 24 - Related Party Disclosures

- Not disclosing relation between parent and its subsidiaries (*Para 13*).
- Not disclosing details such as short-term employee benefits, post-employment benefits, other long-term benefits related to Key Management Personnel compensation (*Para 17*).
- Not disclosing the transactions & balance at the end of the year in respect of Retention Money Sub-Contractors (*Para 18*).
- Not disclosing nature of relationship and the transactions with one of the related parties, under note for related party transactions (*Para 18*).

- Not disclosing the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements in respect of transfer of funds to a Trust, being a related party, for incurring CSR expenses (*Para 18*).
- Not disclosing outstanding balances at the year-end for transactions with related parties (*Para 18*).
- Not disclosing the company secretary as KMP as well as the details of transactions with him under related party transactions in standalone and consolidated financial statements (*Para 19*).
- Not disclosing KMP and their relatives under separate heads under related party transactions in standalone and consolidated financial statements (*Para 19f*).

Ind AS 33 - Earnings per Share

- Using closing balance of Other Equity as numerator for calculating basic earnings per share instead of profit or loss attributable to ordinary equity holders (*Para 10*).

Ind AS 36 - Impairment of Assets

- Not disclosing whether any assessment has been performed at the end of the reporting period for impairment testing (*Para 9*).

Ind AS 38 - Intangible Assets

- Not disclosing useful lives or amortization rates used and the method of amortization used for intangible assets (i.e. trademarks) in financial statements (*Para 118 (a) and (b)*).

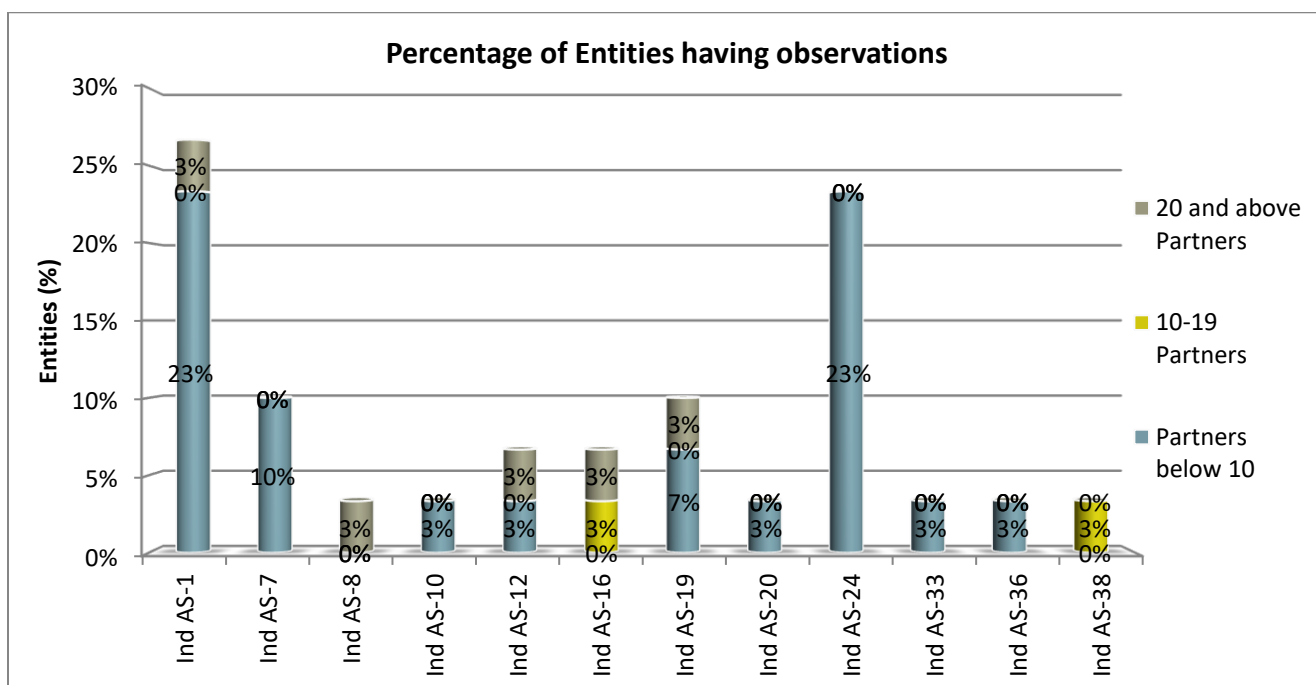


Chart 17

Ind AS 105 - Non-current Assets Held for Sale and Discontinued Operations

- Not disclosing the fact, that company has reclassified certain PPE as the non-current assets held for sale, in the notes to financial statements (*Para 30*).
- Wrongly stating assets held for sale as non-current instead of disclosing as separate line item in the notes to financial statements and on the face of standalone and consolidated financial statements (*Para 38*).

Ind AS 107 - Financial Instruments: Disclosures

- Using inconsistent terms while disclosing the nature and extent of risks arising from financial instruments (*Para 31*).
- Not specifying whether financial liability is of derivative/ non derivative nature while giving disclosure of liquidity risk (*Para 39*).

Ind AS 108 - Operating Segments

- Not disclosing the factors used to identify the entity's reportable segments (*Para 22*).

Ind AS 110 - Consolidated Financial Statements

- Disclosing wrong amount of net current assets under non-controlling interest in the notes to consolidated financial statements (*Para 22*).

Ind AS 115 - Revenue from Contracts with Customers

- Recognizing revenue without satisfying performance obligation by transferring the promised goods to the customer (*Para 31*).
- Not disclosing qualitative and quantitative information about its contracts with customers, significant judgements and changes in the judgements and any assets recognised from the costs to obtain or fulfil a contract with a customer (*Para 110*).
- Not disclosing (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and (c) revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (*Para 116*).

Ind AS 116 - Leases

- Not presenting/disclosing in the balance sheet or in the notes lease premises under right-of-use assets separately from other assets. Rather, these were disclosed under PPE (*Para 47*).
- Not disclosing the maturity analysis of lease liabilities (*Para 58*).
- Disclosing accounting policy as a lessee for operating leases and finance leases which was not in line with the requirements of *Ind AS 116*.

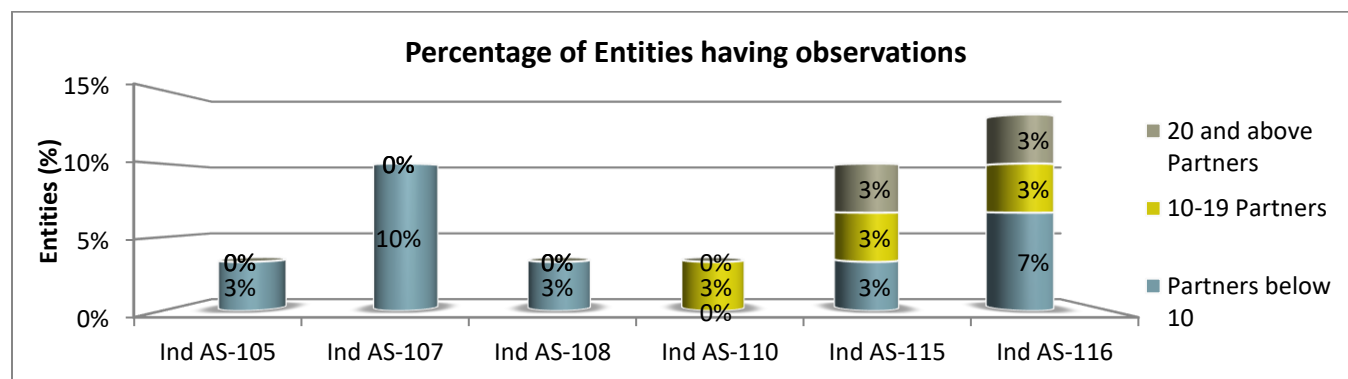


Chart 18

Division II, Schedule III of Companies Act, 2013 & Guidance Note on Division II Ind AS Schedule III to the Companies Act, 2013

General Instructions

- Not giving narrative description or disaggregation of items given in the corresponding notes (i) Revenue from Operations (ii) Other Income, (III) Sub-contract work bill/expense. (Para 4).
- Not providing cross-reference of total outstanding dues to MSME in the notes to financial statements (Para 4(ii)).
- Not providing cross-reference of information related to deferred tax in the statement of profit & loss with the notes to financial statements (Para 4 (ii)).
- Giving wrong cross referencing for some of the items of balance sheet and statement of profit and loss with related information in the notes to financial statements (Para 4(ii)).
- Not rounding off the figures appearing in the Financial Statements to the nearest lakhs, millions or crores (Para 5).
- Not providing comparatives for the immediately preceding reporting period for proportion of ownership interest in the case of associates and proportion of shareholding/share of profit/(loss) in the case of subsidiaries under the head Non-Current Financial Assets Investments (Para 6).
- Not showing corresponding amounts (comparatives) for the immediately preceding reporting period for leases in the notes to the financial statements (Para 6).

Balance Sheet

Non-Current Assets

- Recognising software under development under the head capital WIP instead of under the head intangible assets under development on the face of the balance sheet (Part I).
- Showing land development expense separately instead of part of PPE such as land or building, as the case may be (Para 6A).

- Using incorrect terms for classification of some of the items of Property, Plant and Equipment (*Para 6A*).
- Nomenclature used for note was "Property, P & M and Office equipment" instead of "Property, Plant and Equipment" (*Para 6A(I)*).
- Not using the term Property, Plant & Equipment in notes to financial statements (*Para 6(A)(I)*).
- Not classifying NSC under the head Investments in Government or trust securities under non-current investments (*Para 6A(VI)*).
- Non-current investment in the 'partnership firms' was wrongly described as 'subsidiary' in the notes to financial statements (*Para 6A(VI)*).
- Face value of the shares of a subsidiary were wrongly mentioned as of Rs.10/ each instead of Re. 1 each in the notes for Non-Current Financial Assets Investments (*Para 6A(VI)*).
- Not disclosing prepaid expenses for more than 12 months under Other Non-current assets (*Para 6A(X)*).
- Line items like security deposits, advances to suppliers and balances with suppliers are not clubbed under the head advances other than capital advances under Other non-current assets in the notes to financial statements (*Para. 6A(X)*).

Current Assets

- Showing Other Financial Assets - Current and Other Financial Liability – Current as Other Current Assets and Other Current Liability (*Part I Balance Sheet*).
- Not sub-classifying Trade Receivables under (a) Trade Receivables – Secured, Considered Good; (b) Unsecured, Considered Good; and (c) Doubtful (*Para 6A(VII)(i)*).
- Not stating separately debts due by directors or other related parties under Trade Receivables (*Para 6A(VII)(iii)*).
- Not disclosing separately trade receivables – credit impaired in the notes to financial statements (*Para 6A(VII)(i)(d)*).
- Not specifying the nature of others disclosed under inventories in current assets in the notes to financial statements (*Para 6B(I)(i)(g)*).
- Not disclosing details of credit impaired trade receivables, separately (*Para 6(B)(III)*).
- Showing balance with banks in fixed deposits under lien as a part of cash & cash equivalent (*Para 6B(IV) of General Instructions for Preparation of Balance Sheet/ Para 8.1.16 of Guidance Note on Division II - Ind AS Schedule III to the Companies Act, 2013*).
- Not specifying the nature of other financial assets and other current assets (*Para 6B(VI)*).

Equity

- Disclosing incorrect number of equity shares and the amount of authorized equity share capital in the notes to the financial statements (*Para 6D(I)(a)*).
- Not disclosing rights, preferences and restrictions attached to equity shares (*Para 6D(I)(e)*).
- Not disclosing nature of item under the head "Other Equity" (*Para 6D(II)*).
- Not showing General Reserve and Cash Flow Hedge Reserve as part of 'Other Equity' (*Para 6D(III)*).

- Using the term securities premium reserve instead of security premium in the notes to financial statements (*Para 6D(II)(i)*).
- Not specifying the nature and purpose of general reserve (*Para 6D(II)(i)(d)*).

Non-Current Liabilities

- Not disclosing the nature of security of secured non-current and current borrowings from banks in the notes to financial statements (*Para 6E(I)(ii)/ 6F(I)(ii)*).
- Not disclosing rate of interest, security and terms of repayment for non-current borrowings (*Para 6E(I)(vi) of Division II of Schedule III to the Companies Act, 2013 read with para read with para 8.2.3.17 and 8.2.3.18 of GN on Div. II – Ind AS Schedule III to the Companies Act, 2013*).

Current Liabilities

- Disclosing other current liabilities after provisions on the face of the Balance Sheet i.e. not following the format of Balance Sheet prescribed under *Part I*.
- Not showing current tax liability separately as current tax liability in the balance sheet (*Part I*).
- Not disclosing nature of security for current borrowings (*Para 6F(I)*).
- Disclosing bonus payable as trade payable instead of showing it under provision for employee benefits (*Para 6F(IV)*).
- Not disclosing the nature of other payables under other current financial liability (*Para 6F(II)*).
- Not making required disclosures with regard to commitments under the head “Contingent Liabilities and Commitments” (*Para 6H*).
- Wrongly mentioning under contingent liabilities that guarantees given to bank were on behalf of third party while they were actually given on behalf of the company (*Para 6H(i)*).
- Not disclosing commitments against capital advance under notes to financial statements (*Para 6H(ii)*).

Statement of Profit & Loss

- Not disclosing separately revenue from operations under different sub-heads in the notes to financial statements (*Para 3*).
- Line items like profit on sale of property, plant and equipment, provision for warranty written back and miscellaneous income are not clubbed under the sub-head other non-operating income within the head ‘other income’, in the notes to financial statements (*Para 5(c)*).
- Not grouping the various items of other income like rental income, profit on sale of investments, profit on sale of TDR, miscellaneous income etc. under sub head other non-operating income in the notes to financial statements (*Para 5 (c)*).
- Not disclosing break-up of payment made to the auditor under various sub-heads (*Para 7(i)*).
- Not mentioning denomination used for EPS in the statement of profit and loss.
- Not disclosing aggregate expenditure on advertisement, which exceeded one per cent of revenue from operations or Rs.10,00,000 whichever is higher, in the notes to the financial statements (*Para 7(c)*).

Guidance Note on Div. II Ind AS Schedule III to the Companies Act, 2013 / Others

- Presenting Deferred tax assets as negative figure in liability side (*Para 8.1 of Guidance Note*).
- Showing advance against salary under other current financial assets instead of under Other current assets (*Para 8.1.12 of the Guidance Note*).
- Not disclosing assessment year wise details of Tax Assets (*Para 8.1.18 of Guidance Note*).
- Not disclosing amount outstanding for MSME Trade Payables (*Para 8.2.4.1 of Guidance Note*).
- Not using various terms in the financial statements uniformly.
- Showing retention money under the head borrowing under current financial liability instead of other current financial liability (*Para 8.2.5.2 of the Guidance Note*).
- Not making full disclosures relating to MSMEs under Trade Payable (*Para 8.4.2.3 of Guidance Note*).

Accounting Standards

The following major observations in respect of Accounting Standards (AS) were noticed in the Audit files reviewed in respect of reviews undertaken during the year: -

AS 1 - Disclosure of Accounting Policies

- Not disclosing significant accounting policy on: Use of Estimates, Borrowing Cost, Leases, Taxes on Income (*Para 18,24*).
- Not disclosing the accounting policy with respect to long-term compensated absences in both standalone and consolidated financial statements (*Para 18,24*).
- Not disclosing significant accounting policies for Revenue Recognition, Government Grant, Employee Benefits, Foreign Currency Transactions, Impairment, Provisions and Contingent Liabilities (*Para 18,24*).
- Disclosing unsecured loan and MSME disclosures/ notes as accounting policy (*Para 11, 18 and 20*).
- Not disclosing accounting policy with respect to Cash and Cash Equivalents (for purposes of Cash Flow Statement), Preparation of Cash Flow Statement (*Para 24 & 25*).
- Not disclosing summary of significant accounting policies at one place (*Para 25*).
- Not disclosing accounting policy related to lease, nature of lease and general description of the lessee's significant leasing arrangement (*Para 25*).

AS 2 - Valuation of Inventories

- Valuing stores items at estimated cost instead of at the lower of cost and net realisable value (*Para 5*).
- Not mentioning cost formula used in measuring inventories (*Para 26*).

AS 3 - Cash Flow Statements

- Wrongly disclosing fixed deposits with original maturity of more than 3 months under the heading cash and cash equivalents in the financial statements (*Para 6*).
- Including balances with bank held as margin money and security deposits (FDs held as security for issue of non-fund-based limits by bank) having original maturity of more than 3 months under cash and cash equivalents (*Para 6*).
- Disclosing excise refund as cash flow from financing activity instead of operating activity (*Para 5.4, 5.6, 12*).
- Not presenting proceeds and repayment of loans separately in the cash flows from financing activities (*Para 17*).
- Liabilities no longer required written back were adjusted for non-cash transactions, however, they did not form part of the other income in the Statement of Profit & Loss (*Para 18*).
- Showing sale of mutual fund and profit on sale of current investments separately instead of as one line item under cash flows from investing activities (*Para 21, 22 and 23*).

- Wrongly disclosing dividend paid under cash flows from operating activities instead of under financing activities (*Para 30*).
- Not considering the impact of interest accrued but not due while presenting interest received under cash flows from investing activities (*Para 30*).
- Not disclosing components of cash and cash equivalent and its reconciliation with amount presented in the notes (*Para 42*).

AS 5 - Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

- Adjusting prior period income and expense through Reserves and Surplus (*Para 5*).

AS 10 - Property, Plant and Equipment

- Not disclosing the method of depreciation used for charging depreciation on PPE (*Para 81*).
- Not disclosing for each class of property, plant and equipment: (a) the measurement bases (i.e., cost model or revaluation model) used for determining the gross carrying amount; and (b) the depreciation method used (*Para 81*).

AS 11 - The Effects of Changes in Foreign Exchange Rates

- Not restating foreign currency cash balance (*Para 11(a)*).
- Adjusting exchange gain/loss with purchases (*Para 13*).

AS 13 - Accounting for Investments

- Wrongly showing long term loans (inter corporate loans) under investment properties (*Para 3.4*).
- Adopting wrong accounting policy for current investments as carried at cost instead of at lower of cost or fair value (*Para 14*).
- Not valuing carrying amount of unquoted current investments in the financial statements on an individual investment basis or by category of investment, but on an overall (global) basis (*Para 15*).
- For not disclosing accounting policy on investments (*Para 35(a)*).
- Not disclosing aggregate amount of quoted and unquoted investments and giving aggregate market value of quoted investments (*Para 35(e)*).

AS 15 - Employee Benefits

- Not using Projected Unit Credit Method for discounting under Defined benefit plans which are post-employment benefit plans. (*Para 51*).
- Not making disclosures relating to defined contribution plan (*Para 47*).
- Not making disclosures relating to general description of defined benefit plan, company's accounting policy for recognizing actuarial gains and losses, reconciliation of opening and closing balances (*Para 119 & 120*).

- Not disclosing the accounting policy for recognition of actuarial gains and losses (*Para 120*).
- Not giving disclosure of previous 4 years for defined benefit plans (*Para 120(n)*).

AS 16 - Borrowing Costs

- Disclosing interest on late payment of GST, TDS and provident fund as borrowing cost (*Para 3.1*).
- Not including exchange differences arising from conversion of foreign currency working capital loan to the extent that they are regarded as an adjustment to interest costs under borrowing costs in the notes to financial statements (*Para 4(e) and 23*).

AS 17 - Segment Reporting

- Not reporting the segment results while disclosing the segment information in the financial statements (*Para 40(b)*).
- Not making disclosures required for primary segments and secondary segments (*Para 38 - 46*).

AS 18 - Related Party Disclosures

- Not disclosing name and relation of certain related party having control over entity (*Para 21*).
- Not disclosing nature of relationship and amount outstanding at the balance sheet date w.r.t to related parties in notes to the financial statements. Also, loan repaid to director during the year was not disclosed under related party transactions disclosure though there was line item of unsecured loan to director on the face of the balance sheet (*Para 23*).
- Not disclosing relation with related party with whom transactions were carried-out (*Para 23*).
- Not disclosing Loan taken/repaid and interest paid/payable during the year from/to related parties (*Para 23*).

AS 19 - Leases

- Not making required disclosures for operating leases (*Para 25*).
- Not presenting asset given under operating lease in the balance sheet under fixed assets (*Para 39*).

AS 20 - Earnings Per Share

- Not disclosing diluted earnings per share (*Para 8*).
- Not disclosing amount used as numerator, number of shares used as denominator and nominal value of shares (*Para 48*).

AS 22 - Accounting for Taxes on Income

- Recognizing deferred tax assets on provision for doubtful debts (*Para 12*).
- Not disclosing break-up of components of DTA/DTL (*Para 31*).

AS 26 - Intangible Assets

- Not disclosing nature of intangible assets as well as amortization method used (*Para 90 & 91*).

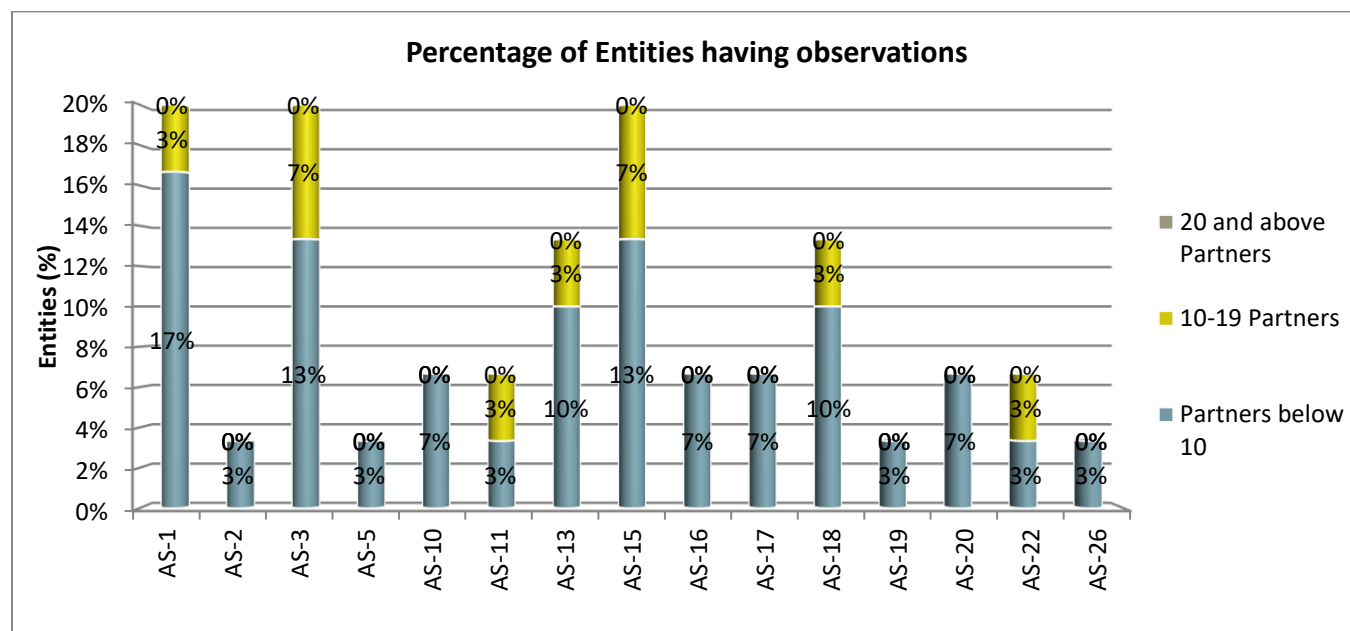


Chart 19

Division I, Schedule III of Companies Act, 2013 & Guidance Note on Division I – Non Ind AS Schedule III of Companies Act, 2013

General Instructions

- Giving wrong heading while cross-referencing the details of sale of services in the notes to standalone financial statements (*Para 3(ii)*).
- Not mentioning currency denomination/ rounding off in financial statements (*Para 4*).
- Not using the same unit of measurement uniformly in the financial statements (*Para 4(ii)*).
- Not reporting the corresponding amounts (comparatives) for the immediately preceding reporting period with respect to addition, deletion, depreciation etc. for property, plant & equipment in the notes to standalone and consolidated financial statements (*Para 5*).
- Not disclosing corresponding amounts (comparatives) for the immediately preceding period for certain items in the notes to the financial statements (*Para 5*).

Part – I

- Wrongly grouping line items like investments, loans, deferred tax assets, and other financial assets under financial assets in the balance sheet (*Part I*).
- Not providing bifurcation of trade payables into those outstanding from MSME and other than MSME in the balance sheet (*Part I of Sch. III of the Companies Act, 2013/Sec. 22 of MSME Act, 2006*).
- Wrongly classifying gratuity under current liabilities instead of non-current liabilities in both standalone and consolidated financial statements (*Para 3*).
- Not disclosing following details related to share capital in notes to financial statements for the period of five years immediately preceding the date as at which the Balance Sheet is prepared: (A) Aggregate number and class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash. (B) Aggregate number and class of shares allotted as fully paid-up by way of bonus shares. (C) Aggregate number and class of shares bought back (*Para 6A(i)*).
- Using the term securities premium reserve instead of securities premium in the notes to the financial statements (*Para 6B(c)*).
- Using word share premium instead of security premium in notes to financial statements (*Para 6B(c)*).
- Not disclosing particulars of security offered in relation to secured loans (*Para 6C(ii)*).
- Not disclosing terms of repayment of unsecured loans (*Para 6C(vi)*).
- Not providing details of interest and terms of repayment in respect of unsecured long-term borrowings (*Para 6C(vi), GN Para 8.2.3.19*).
- Disclosing short term Creditor and Customer balance outstanding for more than one year under "Other Long-Term Liabilities (*Para 6D and 6G*).
- Disclosing Cost Audit fee overdue for payment beyond one year under "Long Term Provision" (*Para 6E and 6G*).
- Not disclosing current maturities of long-term borrowing under the head Other current Liability (*Para 6G(a)*).
- Disclosing credit balances of parties to whom loans and advances were given as Unsecured Short-term borrowings instead of as "Other current liabilities" (*Para 6G*).
- Not disclosing Interest payable to bank under "Other current liabilities" (*Para 6G*).
- Using the term Tangible assets instead of Property, Plant & Equipment in notes to financial statements (*Para 6I*).
- Using the term fixed assets instead of property, plant & equipment on the face of balance sheet and in notes to the financial statements (*Para 6(I)*).
- Non-current investments were not sub-classified as specified (*Para 6K*).
- Disclosing creditors for capital expenditure (i.e. Capital Advance) under short term loans and advances instead of under long term loans and advances (*Para 6L(i)(a)*).
- Not providing separate sub-classification of long-term loans into (a) Secured, considered good; (b) Unsecured, considered good; (c) Doubtful (*Para 6L(ii)*).

- Wrongly showing long term loans (inter corporate loans) under investment properties without holding ownership thereof by the company and not providing further sub-classification of inter-corporate loans under relevant heads (*Para 6L (ii)*).
- Not disclosing sub-classification of Security Deposits disclosed under long term loans & advances into secured/unsecured/doubtful (*Para 6L(ii)*).
- Not making provision for doubtful debts for the loan amount (both principal and interest amount) which had remained unpaid for a long period (*Para 6L(iii)*).
- Classifying trade receivable which are due for more than one year under the head "Other Non-Current Assets (*Para 6P*).
- Wrongly disclosing the provision for bad and doubtful debts under the heading considered doubtful in trade receivable for a period exceeding six months (*Para 6(P)(iii)*).
- Classifying fixed deposits with banks as security under non-current assets (*Para 6Q*).
- Not disclosing cash and cash equivalents separately (*Para 6Q(i)*).
- Not disclosing balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments (*Para 6Q(iii)*).
- Not separately showing balances with bank to the extent held as margin money / security deposits against non-fund-based limits rather these were shown as FDR under cash and cash equivalents in the notes to the financial statements (*Para 6Q(III)*).
- Advance given against supplies and services was treated as long term instead of short-term loans and advances and without giving further sub-classification into secured, unsecured and doubtful (*Para 6R*).
- Showing advance tax under the head Other Non-Current Loans and Advances instead of Short-Term Loans and Advances (*Para 6R*).
- Not presenting investment properties under non-current investments in the balance sheet (*Part I*).
- Disclosing various expenses provisions under "Short Term Provisions" instead of "Trade payables" in respect of services (*Para 8.6.2 of Guidance Note*).
- Not disclosing Statutory dues like Provident Fund, Professional Tax, GST payable as Other Payables under "Other current liabilities" (*Para 8.6.3 of Guidance Note*).
- Showing FD having maturity of more than 3 months as cash & cash equivalent (*Para 8.8.4 of Guidance Note*).
- Not disclosing amounts due to MSME under Trade Payables (*Section 22 of MSMED Act, 2006*).
- Disclosures required under MSMED Act, 2006 not given (*Para 8.4.3 of Guidance Note*).

Part – II

- Showing operational expenses as a separate line item instead of including under other expenses in the Statement of Profit and Loss (*Part II*).
- Using the term other administrative expenses instead of using other expenses on the face of statement of profit and loss and in notes to the financial statements (*Part II*).

- Not disclosing the earnings per share on the face of the statement of profit and loss (*Part II*).
- Using the term administrative & other expenses instead of other expenses in standalone financial statements (*Part II*).
- Using the term income from operations instead of revenue from operations in standalone financial statements (*Part II*).
- Other income is presented after depreciation expense in the Statement of Profit & Loss (*Part II*).
- Not showing break-up of direct expense including cost of material consumed under required heads (*Part II*).
- Using the heading sale of services instead of revenue from operations under notes to financial statements (*Para 2(A)*).
- Not giving break-up of revenue from operations under sale of goods and sale of services separately (*Para 2(A)*).
- Not disclosing interest paid on shortfall in payment of advance income tax under finance cost (*Para 3 of General Instructions for Preparation of Statement of Profit and Loss / Para 9.8.1.3 of Guidance Note*).
- Not disclosing applicable net gain/loss on foreign currency transactions and translation under finance in both standalone and consolidated financial statements (*Para 3*).
- Not disclosing raw materials and goods purchased under broad heads as additional information in notes to the financial statements (*Para 5A(ii)(a)*).
- Not disclosing purchases in respect of goods traded in by the company under broad heads (*Para 5A(ii)(b)*).
- Not disclosing value of imports calculated on C.I.F. basis (*Para 5A(vii)(a)*).
- Not separately disclosing net gain/loss on foreign currency transaction and translation in the Statement of Profit and Loss (*Para 5(i)(i)*).
- Not giving break-up of payments made to auditor under various sub-heads in the notes to the financial statements (*Para 5A(i)(j)*).
- Showing CSR Expense as exceptional item (*Para 5(i)(k)*).
- Recognising CSR expense as appropriation of profit instead of disclosing under other expenses in the Statement of Profit and Loss (*Para 5(i)(k) of General Instructions for Preparation of Statement of Profit and Loss / Para 10.13 of Guidance Note*).
- Not providing bifurcation of foreign currency expenditure (*Para 5(viii)*).
- Not disclosing total value of all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption (*Para 5(viii)(c)*).
- Treating various items of other income as other revenue from operations (*Para 9.1.8, 9.1.9 of Guidance Note*).
- Netting of interest income against interest expense and not shown as "Other Income" (*Para 9.2.1 of Guidance Note*).

- Not disclosing amount due and interest thereon to micro and small enterprises in the financial statements (*Para 8.4.3 of Guidance Note*).
- Showing prior period taxes as Exceptional item (*Para 9.8.1.6 of Guidance Note*).
- Not disclosing break-up of payment made to auditors under different heads (*Para 10.3 of Guidance Note*).
- Not making disclosures relating to derivative instruments and unhedged foreign currency exposures, expenditure in foreign currency and earnings in foreign exchange (*Para 6.9, 11.2, 11.5 & 25 of Guidance Note*).

Other Relevant Laws and Regulations

The following major observations in respect of Other Relevant Laws and Regulations were noticed in the Audit files reviewed in respect of reviews undertaken during the year: -

Companies Act, 2013

- Not mentioning Corporate Identification Number (CIN) in the financial statements (*Section 12(3)(c)*).
- Not mentioning names of signing authority on behalf of the Board of Directors of company in the standalone and consolidated financial statements (*Section 134*).
- Financial statements not signed by the CEO & Company Secretary of company (*Section 134*).
- Statement of changes in equity was not signed by the directors on behalf of Board of Directors of the company in both standalone and consolidated financial statements (*Section 134*).
- Not disclosing whether unspent CSR amount has been transferred by the company to any fund included in Schedule VII of the Companies Act, 2013 (*Section 135 of Companies Act, 2013 and Rule 10 of Companies (Corporate Social Responsibility Policy) Rules, 2014*).
- Mentioning incorrect number of subsidiaries consolidated in the report on internal financial controls for the company (*Section 143(3)(i)*).
- Using the words Internal Financial Control System instead of Internal Financial Control with reference to financial statements (*Sec. 143 (3)(i)*).
- Using the word not applicable for IFCoFR in audit report even though auditor has issued report on IFCoFR. (*Sec. 143 (3)(i)*).
- Not mentioning Director Identification Number (DIN) of directors in the financial statements (*Section 158*).
- Not disclosing in the Statement of Profit and Loss the total amount contributed u/s 182 of the Companies Act, 2013 during the financial year to which that account relates (*Sec. 182(3)*).
- Not giving full disclosure of loans given, investment made or guarantee given (*Sec 186(4)*).
- Not disclosing useful life of Building – leasehold, Plant and machinery and electrical equipment (*Para 3(i) of Part A of Schedule II*).
- Using the nomenclature Securities Premium Reserve instead of Securities Premium (*MCA notification dated 11th October, 2018*).
- Using the word fixed assets instead of Property, Plant and Equipment (*MCA notification dated 11 October, 2018*).

Companies Auditor's Report Order (CARO), 2016/ Guidance Note on CARO, 2016

- Giving reference of CARO, 2016 in consolidated audit report though it is not applicable on the consolidated financial statements (*Proviso to Clause 2*).

- Incorrectly reporting that physical verification of fixed assets was done during the current year instead of in the preceding year (*Clause 3(i)(b)*).
- Not stating whether any material discrepancy was noticed during physical verification of fixed assets (*Clause 3(i)(b)*).
- Not reporting under CARO Report the details of immovable properties, the title deeds whereof were not held in the name of the company (*Clause 3 (i)(c)*).
- Using the prefix 'generally' for reporting that title deeds of immovable properties are held in the name of the company without disclosing the details of exceptions if any (*Clause 3(i)(c)*).
- Wrongly reporting that repayment of principal and payment of interest in respect of loan to wholly owned subsidiary have been regular rather their payments were deferred on year-to-year basis based on mutual consent (*Clause 3(iii)(b)*).
- Not mentioning that Clause 3(iii)(c) of CARO, 2016 was not applicable to the company.
- Not clearly stating that Section 185 of Companies Act, 2013 is not applicable to the company in the CARO report (*Clause 3(iv)*).
- Reporting that company has complied with the provisions of Sections 185 & 186 of Companies Act, 2013 though not applicable (*Clause 3(iv)*).
- Disclosing that company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable though no guarantee or security was provided (*Clause 3(iv)*).
- Reporting that company has complied with the provisions of Sections 73 to 76 of Companies Act, 2013 though not applicable (*Clause 3(v)*).
- Not reporting year wise breakup of income tax amount not deposited on account of dispute (*Clause 3(vii)*).
- Not reporting the amounts involved and the forum where the dispute was pending for dues of income tax not deposited on account of a dispute in his report under CARO (*Clause 3 (vii)(b)*).
- Not stating frequency of physical verification of property, plant and equipment (*Para 35 (e) of Guidance Note on CARO 2016*).

Others

- Not deducting amount of MAT credit utilized in current year from provision for taxation and deferred tax assets (*Para 14 of Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961*).
- Not providing break-up of CSR expense under different heads (*Para 10.13 of Guidance note on accounting for expenditure on CSR Activities*).
- Not making disclosures required on derivatives and unhedged foreign currency exposures (*Para 64 to 67 of Guidance Note on Accounting for Derivatives*).
- Giving opinion para not in the required order (*Guidance Note on Audit of Internal Financial Control over Financial Reporting*).
- Not disclosing break-up of CSR expenditure under required heads (*Para 17 of Guidance Note on CSR Accounting*).

- Communicating with the previous auditor after accepting audit (Clause 8 of Part I of the First Schedule to The Chartered Accountants Act, 1949).

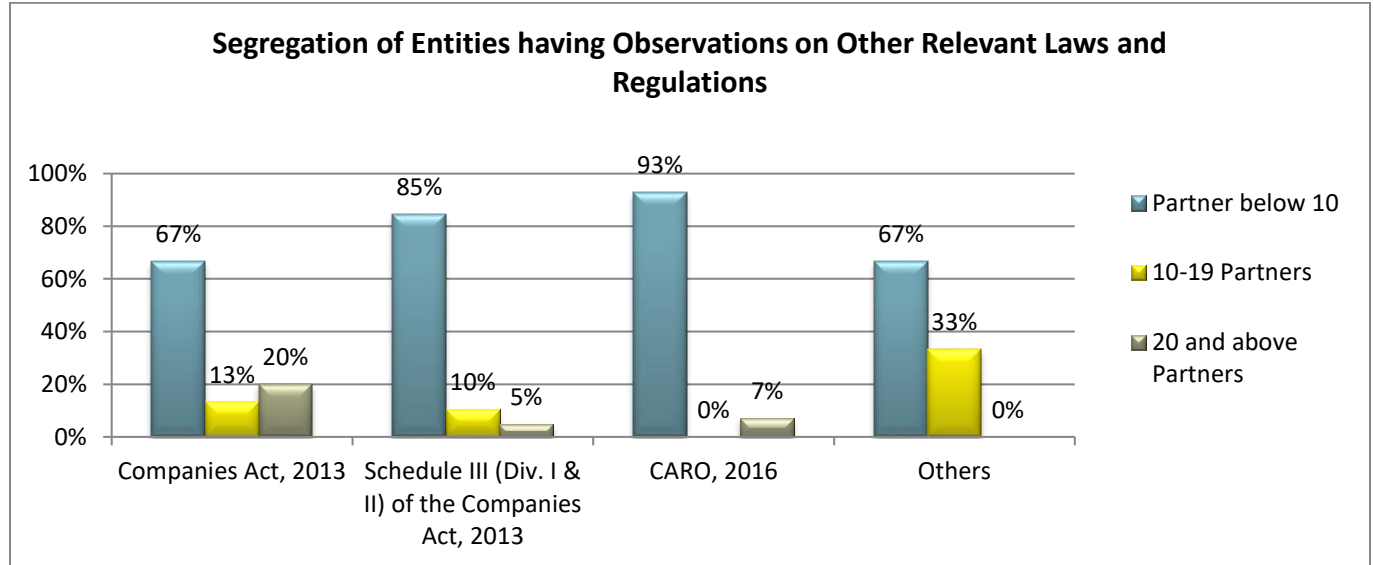


Chart 20

Matters of General Guidance for Audit Firms

1. Standards on Auditing		
a.	Standard on Quality Control (SQC)-1	<ul style="list-style-type: none"> The Audit Firms should enhance the participation of their teams in technical sessions organized either in-house or by ICAI/ other institutions to have a better understanding of the manner of presentation, disclosure requirements, and other aspects. Although Audit firms maintain policies and procedures regarding Quality Procedures and engagement performance and engagement documentation, it is seen that such Policies and Procedures are not maintained and updated as per the need and from the learnings of Audits. Updation of Documentations on Policies and procedures should be an ongoing process which should be undertaken every year to reflect the changes in Audit Practices if any, requirement of changes in Laws and regulations etc. While reviewing and updating the audit firm's policies and procedures, reference to the Implementation guide to SQC-1 issued by ICAI may be referred at: https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf
b.	Planning, Risk Assessment and Response to Assessed Risks	<ul style="list-style-type: none"> In respect of audit planning and risk assessment, Audit plan should cover document relating to Audit Planning Memorandum regarding resources and timing i.e., dates of starting and completing an audit, no. of days an audit team would spend and so on. Audit planning and risk assessment should take into consideration the impact of external as well as internal factors. Checklist on Standards on Auditing issued by ICAI may be referred at: https://resource.cdn.icai.org/74466aasb60406.pdf
c.	Audit Documentation	<ul style="list-style-type: none"> The effect of the work of internal auditors on the audit procedures of the audit firm, including important observations and management responses on the same should be documented. Auditor should record any disagreements with management or concerns identified during the audit. Documentation w.r.t proposed adjustments and unadjusted misstatements, explaining their impact on financial statements and audit opinion should be made. For complex areas like fair value, impairment, going concern audit procedures should be documented in detail.

		<ul style="list-style-type: none"> Document areas where there is a higher risk of material misstatement, whether due to fraud, error, or complex transactions. This includes both inherent risk and control risk. Documentation must support the audit opinion and demonstrate how audit procedures addressed the identified risks. Audit Working Paper Templates issued by ICAI may be referred at: https://resource.cdn.icai.org/75000aasb60542a.pdf Implementation Guide to Standard on Auditing (SA) 230, Audit Documentation issued by ICAI may be referred at: https://resource.cdn.icai.org/72414aasb58321.pdf Checklist on Standards on Auditing issued by ICAI may be referred at: https://resource.cdn.icai.org/74466aasb60406.pdf
d.	Audit Evidence	<ul style="list-style-type: none"> Statements such as "Balances with Sundry Debtors, Creditors etc. are subject to confirmation" should not be made in the Financial Statements where auditor has obtained sufficient balance confirmations for such items. With respect to contents of working papers maintained partially in soft copy and hard copy, an index of documents in respect of mode of documentation and cross-referencing to other work papers should be maintained to ensure better referencing of the contents. Management representations should not be readily accepted without challenging matters such as key underlying assumptions and evaluating the completeness and correctness of Management Representations. Checklist on Standards on Auditing issued by ICAI may be referred at: https://resource.cdn.icai.org/74466aasb60406.pdf
e.	Audit Conclusions and Reporting	<ul style="list-style-type: none"> While signing the audit report and other documents the auditor should be uniform in mentioning the place of signature which should be the city where the auditor's report is signed instead of using the name of city and state interchangeably. Audit report should be prepared in accordance with the requirements and as per the formats specified in the Standards on Auditing. Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705 and Revised SA 706) issued by ICAI may be referred at: https://resource.cdn.icai.org/50035aasb39630.pdf Checklist on Standards on Auditing issued by ICAI may be referred at: https://resource.cdn.icai.org/74466aasb60406.pdf
2. Accounting Standards/Ind ASs		
a.	Accounting Standards/	<ul style="list-style-type: none"> All significant accounting policies applicable to the entity should be disclosed.

	Ind ASs	<ul style="list-style-type: none"> All accounting policies should be disclosed at one place. It is seen from the financial statements that disclosures related to financial statements and accounting policies are mixed up. Various disclosure requirements of the applicable accounting framework viz. AS/ Ind AS, should be appropriately complied with. Ind AS disclosure checklist issued by ICAI may be referred at: https://www.icaai.org/post/technical-guides-and-other-materials
3. Other Relevant Laws & Regulations		
a.	CARO	<ul style="list-style-type: none"> Reporting of each clause stated under CARO should be made in an unambiguous manner. Guidance Note on the Companies (Auditor's Report) Order, 2020 (Revised 2022 Edition) issued by ICAI may be referred at: https://resource.cdn.icaai.org/70956aasb56965.pdf
b.	Schedule III of the Companies Act, 2013	<ul style="list-style-type: none"> All the disclosures mandated by Schedule III need to be made part of the financial statements. It was noted in one of the cases reviewed during the year that the mandatory disclosures were given as a separate 'Annexure' and the said annexure was not made part of the financial statements. Audit firms may refer to the information available on MCA portal regarding charges against the Company, and document the discussions/ working with regards to the charges present against the company and the charges disclosed in the financial statements. The disclosure requirements of the Companies Act 2013 as well as presentation and disclosure requirements of applicable Division of Schedule III to the Companies Act, read with the relevant Guidance Notes, should be ensured. Further, the disclosures should be given in an unambiguous manner for the understanding of the readers of the Financial Statements. Nomenclatures used in the Financial Statements should be same as those given in the Schedule III of Companies Act 2013. Classification/ grouping of items disclosed in the Financial Statements should be made as per the criteria specified in Schedule III of Companies Act 2013. For all the items presented in the Financial Statements including notes to accounts, corresponding amounts for the immediately preceding reporting period should be disclosed. Statements such as "Inventories are valued and certified by management" even though the valuations are verified by auditor, should not be made in the Financial Statements.

		<ul style="list-style-type: none"> • Guidance Note on Division I - Non Ind AS Schedule III to the Companies Act 2013/ Guidance Note on Division II - Ind AS Schedule III to the Companies Act 2013 issued by ICAI may be referred at: https://resource.cdn.icai.org/68981clcgc55147-gnd1.pdf https://resource.cdn.icai.org/68982clcgc55147-gnd2.pdf • Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued by ICAI may be referred at: https://resource.cdn.icai.org/38254asb27888csr.pdf
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Annex A**Number of observations and % of AFURs having observations on Engagement and Quality control standards in reviews conducted:**

Engagement and Quality control standards	Number of Observations	Number of AFURs having Observations	% of AFURs to Total AFURs (Total AFURs =30)
SQC-1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements	29	7	23
SA-210 Agreeing the Terms of Audit Engagements	2	2	7
SA-220 Quality Control for an Audit of Financial Statements	1	1	3
SA-230 Audit Documentation	10	5	17
SA-240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	1	1	3
SA-250 Consideration of Laws and Regulations in an Audit of Financial Statements	1	1	3
SA-260 Communication with Those Charged with Governance	3	3	10
SA-300 Planning an Audit of Financial Statements	3	2	7
SA-315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment	6	4	13
SA-320 Materiality in Planning and Performing an Audit	2	2	7
SA-330 The Auditor's Responses to Assessed Risks	3	2	7

SA-500 Audit Evidence	6	2	7
SA-501 Audit Evidence – Specific Considerations for Selected Items	1	1	3
SA-505 External Confirmations	7	7	23
SA-530 Audit Sampling	1	1	3
SA-540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	2	2	7
SA-550 Related Parties	2	2	7
SA-570 Going Concern	1	1	3
SA-580 Written Representations	2	2	7
SA-600 Using the Work of Another Auditors	1	1	3
SA-620 Using the Work of an Auditor’s Expert	1	1	3
SA-700 Forming an Opinion and Reporting on Financial Statements	10	6	20
SA-705 Modifications to the Opinion in the Independent Auditor’s Report	1	1	3
SA-706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report	2	2	7
SA-710 Comparative Information – Corresponding Figures and Comparative Financial Statements	1	1	3
SA-720 The Auditor’s Responsibilities Relating to Other Information	1	1	3

Annex B**Number of observations and % of Entities having observations on Accounting Standards (AS) and Indian Accounting Standards (Ind AS) in reviews conducted:**

Accounting Standards	Number of Observations	Number of Entities Having Observations	% of Entities to Total Entities (Total Entities =33)
AS-1 Disclosure of Accounting Policies	8	6	18
AS-2 Valuation of Inventories	2	1	3
AS-3 Cash Flow Statements	12	6	18
AS-5 Net Profit or Loss for the Period, Prior Period Items, and Changes in Accounting Policies	1	1	3
AS-10 Property, Plant and Equipment	2	2	6
AS-11 The Effects of Changes in Foreign Exchange Rates	2	2	6
AS-13 Accounting for Investments	5	4	12
AS-15 Employee Benefits	7	6	18
AS-16 Borrowing Cost	2	2	6
AS-17 Segment Reporting	2	2	6
AS-18 Related Party Disclosures	4	4	12
AS-19 Leases	2	1	3
AS-20 Earnings Per Share	2	2	6
AS-21 Consolidated Financial Statements	1	1	3
AS-22 Accounting for Taxes on Income	2	2	6
AS-26 Intangible Assets	1	1	3

Indian Accounting Standards (Ind AS)	Number of Observations	Number of Entities Having Observations	% of Entities to Total Entities (Total Entities =33)
Ind AS-1 Presentation of Financial Statements	10	7	21
Ind AS-2 Inventories	1	1	3
Ind AS-7 Statement of Cash Flows	8	3	9
Ind AS-8 Accounting Policies, Changes in Accounting Estimates and Errors	1	1	3
Ind AS-10 Events after the Reporting Period	1	1	3
Ind AS-12 Income Taxes	3	2	6
Ind AS-16 Property, Plant and Equipment	2	2	6
Ind AS-19 Employee Benefits	3	3	9
Ind AS-20 Accounting for Government Grants & Disclosure of Government Assistance	1	1	3
Ind AS-24 Related Party Disclosures	10	7	21
Ind AS-33 Earnings per Share	1	1	3
Ind AS-36 Impairment of Asset	1	1	3
Ind AS-38 Intangible Assets	1	1	3
Ind AS-101 First-time Adoption of Indian Accounting Standards	3	1	3
Ind AS-105 Non-current Assets Held for Sale and Discontinued Operations	2	1	3
Ind AS-107 Financial Instruments: Disclosures	4	3	9
Ind AS-108 Operating Segments	1	1	3

Ind AS-110 Consolidated Financial Statements	1	1	3
Ind AS-115 Revenue from Contracts with Customers	3	3	9
Ind AS-116 Leases	4	4	12

Annex C

Number of observations and % of Entities having observations on Other Relevant Laws and Regulations in reviews conducted:

Other Relevant Laws and Regulations	Number of Observations	Number of Entities Having Observations	% of Entities to Total Entities (Total Entities =33)
Companies Act, 2013	15	7	21
Schedule III (Div. I & II) of the Companies Act, 2013	143	22	67
CARO, 2016	14	10	30
Others	6	6	18

Annex D

Meetings Organised during FY 2023-24

The details of meetings held during the financial year 2023-24 of the Quality Review Board and various Groups/Sub-Committees constituted by the Board are as follows: -

Quality Review Board

1. 73rd meeting of the Quality Review Board held on 22nd May 2023 via video-conferencing.
2. 74th meeting of the Quality Review Board held on 20th September 2023 via video-conferencing.
3. 75th meeting of the Quality Review Board held on 31st January 2024 at ICAI Bhawan, New Delhi/via video-conferencing.

Quality Review Group-I

4. 60th meeting of the Quality Review Group-I, constituted by the QRB, held on 3rd May 2023 and continued on 18th May 2023 via video-conferencing.
5. 61st meeting of the Quality Review Group-I, constituted by the QRB, held on 15th September 2023 via video-conferencing.
6. 62nd meeting of the Quality Review Group-I, constituted by the QRB, held on 15th December 2023 via video-conferencing.
7. 63rd meeting of the Quality Review Group-I, constituted by the QRB, held on 11th March 2024 via video-conferencing.

Quality Review Group-II

8. 1st meeting of the Quality Review Group-II, constituted by the QRB, held on 20th March 2024 via video-conferencing.

Expert Group

9. 2nd meeting of the Expert Group, constituted by the QRB, held on 7th December 2023 at ICAI Bhawan, Indraprastha Marg, New Delhi.

Sub-Committee-I

10. 25th meeting of the Sub-Committee-I, constituted by the QRB, held on 4th May 2023 via video-conferencing.
11. 26th meeting of the Sub-Committee-I, constituted by the QRB, held on 18th September 2023 via video-conferencing.
12. 27th meeting of the Sub-Committee-I, constituted by the QRB, held on 30th November 2023 via video-conferencing.

Audit Committee of QRB

13. 12th meeting of Audit Committee of QRB held on 15th September 2023 via video-conferencing.

Glossary

AFUR	Audit Firm Under Review
AGM	Annual General Meeting
AS	Accounting Standard
CA	Chartered Accountant
C&AG	Comptroller & Auditor General of India
CARO	Companies Auditor's Report Order
CCM	Central Council Member
CIF	Cost, Insurance and Freight
CSR	Corporate Social Responsibility
CS	Company Secretary
EOM	Emphasis of Matter
EPS	Earnings Per Share
EQCR	Engagement Quality Control Review
ESOP	Employees Stock Ownership Plan
FCNR	Foreign Currency Non-Resident
FMCG	Fast Moving Consumer Goods
FOB	Free On Board
FRRB	Financial Reporting Review Board
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GST	Goods and Services Tax
HR	Human Resources
ICAI	Institute of Chartered Accountants of India
ICSI	Institute of Company Secretaries of India
IEPF	Investor Education and Protection Fund
Ind AS	Indian Accounting Standards
IRS	Indian Revenue Services
IT	Information Technology
MAT	Minimum Alternate Tax
MSMED Act	Micro, Small and Medium Enterprises Development Act
NFRA	National Financial Reporting Authority
OCI	Other Comprehensive Income
PIE	Public Interest Entity
QRB	Quality Review Board

QRG	Quality Review Group
RBI	Reserve Bank of India
SA	Standard on Auditing
SEBI	Securities and Exchange Board of India
SOP	Standard Operating Procedure
SQC	Standard on Quality Control
TCWG	Those Charged With Governance
TR	Technical Reviewer
UCBs	Urban Cooperative Banks
UDIN	Unique Document Identification Number
Wef	With effect from
Wrt	With respect to

क्यूआरबी के बारे में

चार्टर्ड एकाउंटेंट्स अधिनियम, १९४९ की धारा २८ए के अंतर्गत प्रदत्त शक्तियों का प्रयोग करते हुए, भारत की केंद्र सरकार ने २८ जून, २००७ की अधिसूचना संख्या जीएसआर ४४८ (ई) द्वारा एक क्वालिटी पुर्नविलोकन बोर्ड (क्यूआरबी) का, देश में चार्टर्ड एकाउंटेंट्स द्वारा प्रदान की जाने वाली सेवाओं की गुणवत्ता की समीक्षा करने के लिए, एक स्वतंत्र निकाय के रूप में अध्यक्ष और दस अन्य सदस्य सहित गठन किया। यह एक मजबूत व्यवस्था है जहां केंद्र सरकार अध्यक्ष और पांच सदस्यों को नामित करती है। सदस्यों को कानून, अर्थशास्त्र, व्यवसाय, वित्त या लेखा के क्षेत्र में अनुभव रखने वाले प्रतिष्ठित व्यक्तियों में से नामित किया जाता है। आईसीएआई अन्य पांच सदस्यों को नामित करता है। क्यूआरबी के अधिकांश सदस्य पेशे से स्वतंत्र हैं। वित्त वर्ष 2012-13 से, क्यूआरबी ने भारत में ऑडिट फर्मों की वैधानिक ऑडिट सेवाओं की स्वतंत्र समीक्षा की एक अलग और मजबूत प्रणाली को औपचारिक रूप दिया है। अधिक जानकारी के लिए, कृपया देखें www.qrbca.in।

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