

लेखापरीक्षा गुणवत्ता पुर्नविलोकन रिपोर्ट Report on Audit Quality Review



© क्वालिटी पुर्नवलोकन 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 पुर्नवलोकन बोर्ड द्वारा तैयार की गई है। इस रिपोर्ट के किसी भी हिस्से को क्वालिटी पुर्नवलोकन 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।

© Quality Review Board established by Government of India under Section 28A of the Chartered Accountants Act, 1949.

All rights reserved. This report has been prepared by the Quality Review Board established by Government of India under Section 28A of the Chartered Accountants Act, 1949. No part of this report may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise without prior permission, in writing, from the Quality Review Board.

<http://www.grbca.in>

अक्टूबर २०२३

October, 2023

क्वालिटी पुर्नवलोकन बोर्ड | Quality Review Board

भूतल, एडमिन ब्लॉक, आईसीएआई भवन | Gr. Floor, Admin. Block, ICAI Bhawan,

ए-२९, सैक्टर ६२, नोएडा – २०१३०९ (उ. प्र.), भारत | A-29, Sector 62, NOIDA – 201309 (U.P.), INDIA.

दूरभाष | Phone: +91 120 3045983

फैक्स | Fax: +91 120 3045984

ई-मेल | Email: reviews@grbca.in

वेबसाइट | Website: <http://www.grbca.in>

From the Chairperson's Desk



Financial reporting, ultimately, is about trust. Inspections, investigations, and enforcement are critical components of instilling that trust. Another key factor contributing to that trust is the quality of our standards. Probably, next in order is the issue of auditor independence.

Given the growth in the size and complexity of non-audit services, it is important that audit firms maintain a culture of ethics and integrity — placing the highest priority on auditor independence throughout the firm, not just in the audit practice.

Therefore, it is important to have robust and independent organizations setting standards, inspecting firms, and enforcing the rules. It is important to ensure auditor independence and to guard against inherent conflicts that might arise when auditing and other services are mixed. If all that is done to its potential, trust in our financial reporting will only grow and that will truly benefit investors and the public at large.

At the level of Quality Review Board, number of important decisions have been taken with a view to improving the quality of audit in a sustained manner during the financial year 2022-23 till date. Some of the important decisions are highlighted here for your reference.

The present report highlights the key findings observed in the audit quality reviews conducted by the Quality Review Board in respect of audits of private limited companies upto 31.03.2023. It indicates our approach for review, expectations, how we select audit firms for review and how we conduct audit quality review.

The report also highlights overall trends, key findings, analysis of reviewed audit files in terms of technical standards, analysis of observations in audit files under major industries, findings in major

Highlights of Important Decisions

- Procedure for Quality Review of Audit Services of Audit Firms was revised in line with the amendment of Sec. 28B (d) of CA Act, 1949.
- Focus Areas of review for the Technical Reviewers (TRs) were laid down.
- Renewed emphasis was placed on compliance of Standard on Quality Control by issuing an exhaustive questionnaire encompassing all its aspects.
- Questionnaire on technical standards thoroughly updated.
- Basket of entities selected for review were expanded by focusing upon Urban Co-operative Banks (UCBs) which play an important role in furthering financial inclusion of less included segments of the economic strata.
- SOP issued for conducting reviews for ensuring timely completion of reviews.
- Parameters laid down for assigning ratings to TRs upon assessment of their review reports.
- Decided to develop software to assign reviews among TRs as per SOP laid down.
- A special drive was initiated to augment the number of Technical Reviewers with the Board. Rates of their honorarium and travelling allowances were revised.
- Training Programme was organised for the Technical Reviewers to update their knowledge and skills for reviews.
- Issued on-line recommendatory Thematic review questionnaire for Audit Firms' Quality Control Procedures.

focus areas for reviews, summary of observations in other areas, matters of general guidance for Audit Firms etc. I hope the concerned stakeholders will find this Report useful. Now, it is incumbent upon the Audit firms to take remedial actions for the deficiencies identified and improve their audit quality. ICAI may also initiate action to step-up their guidance and training to the membership at large on the areas/industries/type of firms highlighted in the Report.

In recognition of the credible audit quality review mechanism initiated by the QRB, I am pleased to inform that office of the Comptroller & Auditor General of India has changed the criteria for empanelment of Chartered Accountant firms maintained by them. It has now been decided that those Chartered Accountant firms and/or their members which have been issued an advisory for improvement in future by the Quality Review Board (QRB) may not be considered at par with other firms at the time of empanelment of the Chartered Accountant firms. Certain marks will be deducted from the score of firms to whom advisory was issued by the QRB.

I would like to take this opportunity to thank Dr. Manoj Govil, Secretary (Corporate Affairs), Mr. Inder Deep Singh Dhariwal, Joint Secretary (Corporate Affairs), CA. Aniket Sunil Talati, President, ICAI, CA. Ranjeet Kumar Agarwal, Vice-President, ICAI and CA. (Dr.) Jai Kumar Batra, Secretary, ICAI for their continuous overall support in spearheading the activities of the Board. In particular, I commend the efforts made by Shri Deepak Kapoor, Director General (Commercial), C&AG in chairing the QRG-I which examines the review reports and makes its recommendations to the Board. I also thank all the other Members and special invitees of the Quality Review Board namely, CA. Chandrashekhar V. Chitale, CA. Durgesh Kumar Kabra, CA. Dayaniwas Sharma, CA. Abhay Kumar Chhajer, CA. Pramod Jain and Shri Chandra Wadhwa and all the past members during the year 2022-23 for their invaluable contribution in the various activities of the Board. I also welcome newly inducted members into our Board namely, Shri Deep Mani Shah, Chief General Manager, SEBI and Shri Rajesh Kumar Bhoot, Joint Secretary (FT&TR), CBDT, Ministry of Finance. I also acknowledge and appreciate the contribution of CA. Mohit Bajjal, Secretary, QRB, CA. Prince Kumar and other officers in the QRB secretariat in preparing this report.

सादर,

एसडी/-

शेफाली शाह

Shefali Shah

अध्यक्ष, क्वालिटी पुर्नविलोकन बोर्ड

Chairperson, Quality Review Board

स्थान: नोएडा

दिनांक: २६.१०.२०२३

Contents

From the Chairperson’s Desk	3
Composition of the Board	6
Composition of Sub-Committees/Groups of the Quality Review Board	7
Our Approach	9
Our Expectations	10
How We Select Audit Firms for Review	10
How We Conduct Audit Quality Review	11
Overall Trend of Audit Engagements Reviewed	14
Key Highlights –Review of Audits of Private Limited Companies	15
a) Profile of Selected Private Limited Companies and AFURs	15
b) Findings of Audit Engagements Reviewed	16
c) Analysis of Reviewed Audit Files	18
d) Observations in Major Focus Areas for Reviews	22
e) Summary of Observations in Other Areas	39
Matters of General Guidance for Audit Firms	67
Annex A: Number and % of AFURs having observations on SAs	73
Annex B: Number and % of Entities having observations on AS and Ind AS	75
Annex C: Number and % of Entities having observations on Other Relevant Laws and Regulations	78
Annex D: Meetings Organised during FY 2022-23	79
Glossary	80

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 Chhajer, 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. Mohit Baijal, 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. 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

- Nominee of Central Government
- Mr. Deep Mani Shah, Chief General Manager, Securities and Exchange Board of India, Mumbai– Member
- Secretary, QRB to provide necessary secretarial support.

C. Audit Committee of QRB

Terms of Reference:

Audit Committee may perform the following functions:-

- 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.

D. Expert Group

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
- Nominee of Central Government
- 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) reviews all aspects of how an audit was performed in entities selected for review. Our reviews help improve audit quality and ensure audit opinions are reliable. QRB's reviews involve assessment of the work of statutory auditors while carrying out their statutory audit function so that QRB is able to assess (a) quality of audit and reporting by the statutory auditors; and (b) quality control framework adopted by the audit firms in conducting audit. The major focus of the reviews is on compliance with technical standards, relevant laws & regulations, statutory and regulatory requirements, quality of reporting, ethical standards and firm's quality control framework. QRB ensures that all persons involved in the review exercise 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 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/ guidance 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.

In order to provide guidance to the Audit firms for ensuring improvement in the quality of their services, QRB publishes periodic reports, on an annual basis, providing key audit quality review findings in an aggregated manner. These reports are widely disseminated and publicly made available at QRB website. QRB follows a strong system of independent review of statutory audit services of the Audit firms based upon best international practices.

Our Expectations

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

How We Select Audit Firms for Review

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

Accordingly, QRB is now able to initiate reviews of the quality of audit services provided by the members of the Institute only in respect of entities other than those specified under Rule 3(1) of NFRA Rules, 2018; and those referred to QRB by NFRA under Rule 9(4) of NFRA Rules, 2018. Therefore, QRB has now decided to select private limited companies not falling under Rule 3(1) of NFRA Rules, 2018 for initiating their audit quality review. The private limited companies, not falling under Rule 3(1) of NFRA Rules, 2018, are 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, reported fraud or likelihood of fraud, serious accounting irregularities in the financial statements highlighted by the media and other reports and major non-compliances under relevant statutes highlighted in past QRB reviews. Recognizing that Urban Co-operative Banks (UCBs) play an important role in furthering financial inclusion by generally providing traditional, if not the more modern, banking services to persons in the less included segments of the economic strata, QRB has also decided to select UCBs following a risk based approach considering directions issued by the RBI to large UCBs on account of flouting norms or deterioration of their financials.

The statutory auditors in respect of the entities so selected as per above, 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 one of the joint central statutory auditors are selected for review.

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

How We Conduct Audit Quality Review

QRB has constituted Quality Review Group-I (QRG-I) to conduct preliminary reviews with a view to assessing the quality of audit and reporting by the auditors. QRG-I is assisted by Technical Reviewer/s (TRs), who are empanelled by the QRB on engagement basis from across the country. These TRs are practicing professionals and possess requisite experience and expertise essential to carry out the reviews. The job of the TRs is to conduct on-site and off-site review and prepare a report with a view to assessing the quality of audit and reporting by the auditors, and the review of quality control framework adopted by the 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 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. The QRG-I may also consult the QRB on any issue, on which it feels that the guidance of the QRB is necessary. The QRG-I completes the review of cases referred to it by examining the work of Technical Reviewers and submits its recommendations to the QRB. In the process, it also assigns rating to the work of Technical Reviewers.

Based on the QRG-I's recommendations, the QRB decides to (a) forward the non-compliance by the members of the Institute or firms 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.

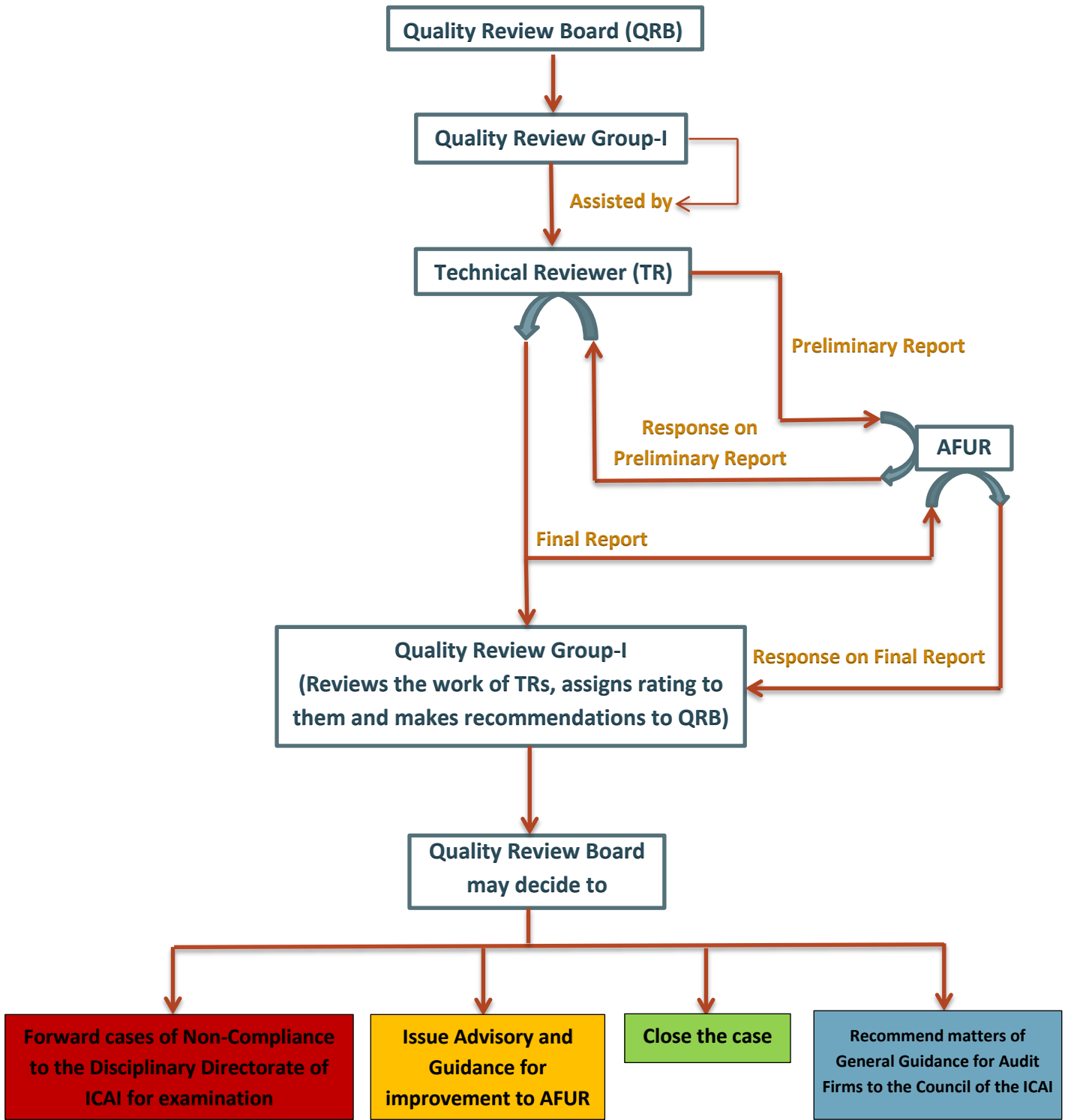
Independence of the TR and also the members of the review team viz-a-viz the AFUR as well as the auditee is imperative. Accordingly, TRs are required to fulfil, *inter alia*, the following conditions:

- 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.

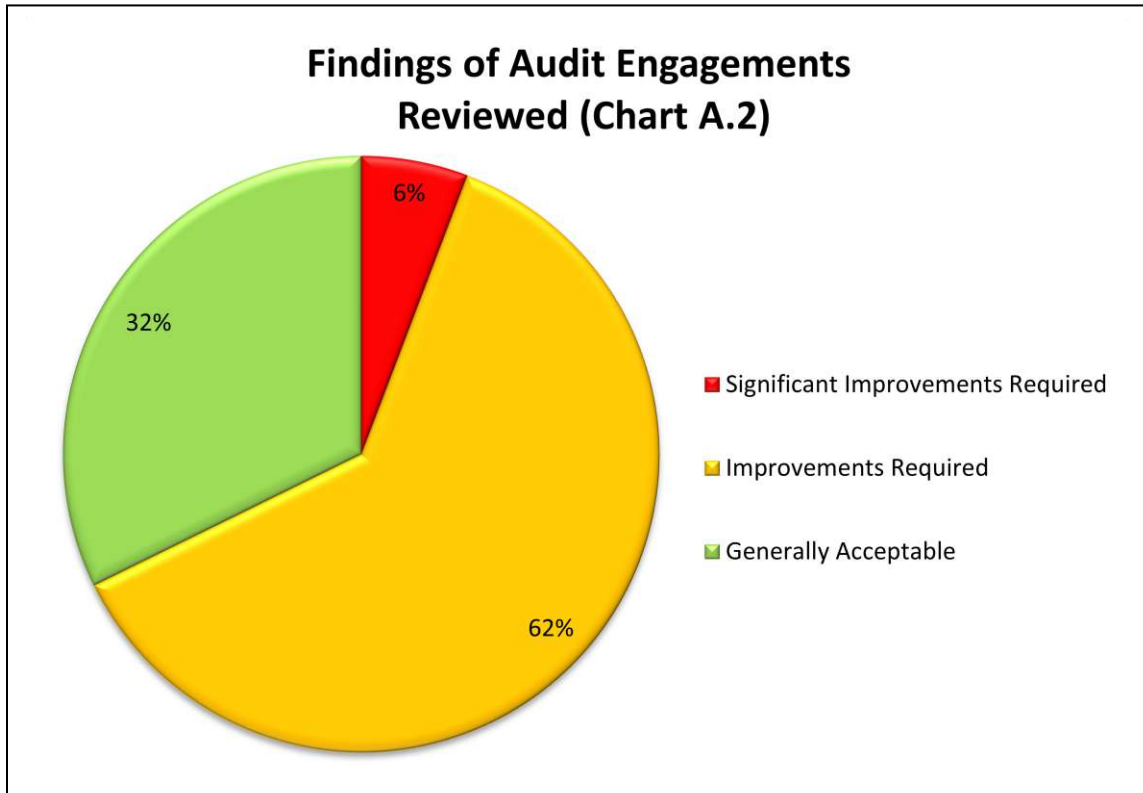
TRs are also required to submit declaration for independence and eligibility for each one of his/her assistants, if any.

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 A.1)



Overall Trend of Audit Engagements Reviewed FY 2012-13 to FY 2022-23



Action Taken

Since FY 2012-13 to FY 2022-23, the QRB has completed 623 reviews. Of these:

- 36 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 1 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.
- 386 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.
- 201 cases - Closed.

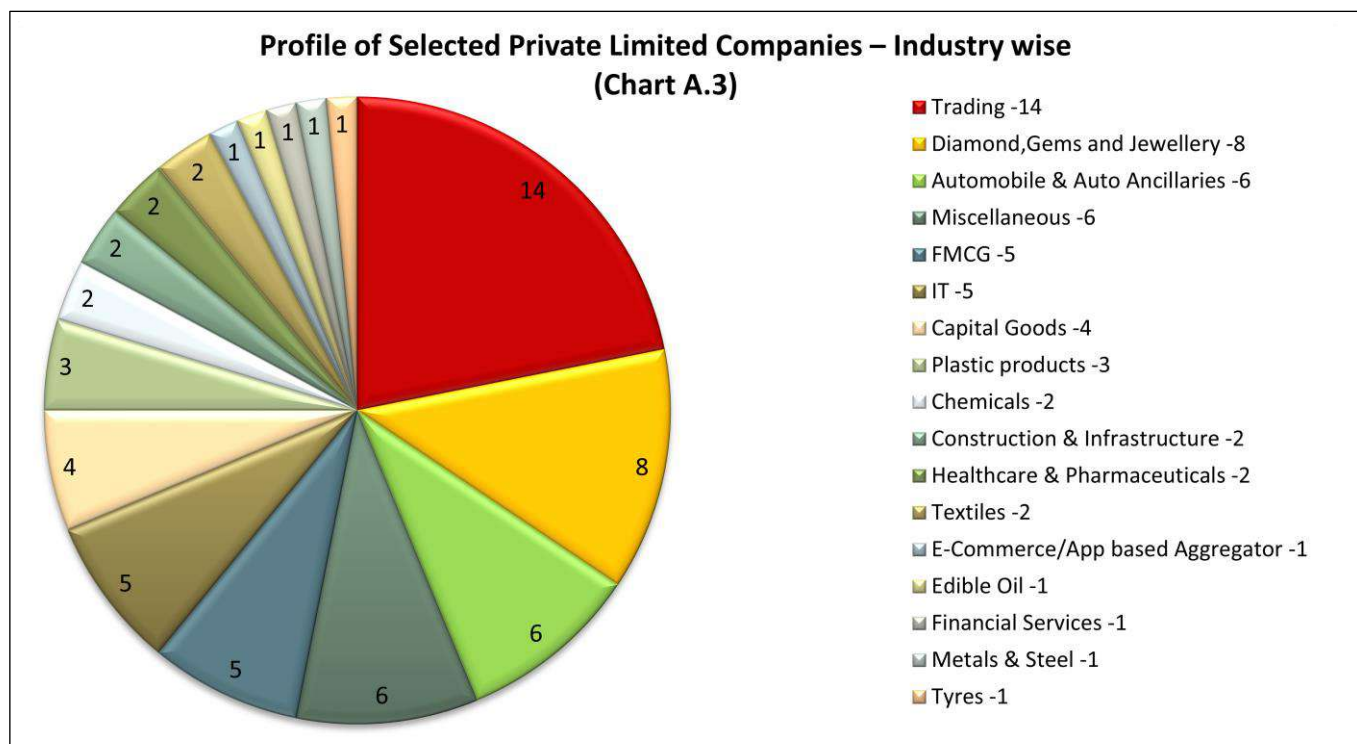
Key Highlights – Review of Audits of Private Limited Companies

These key highlights are in respect of the audit quality reviews completed by the Quality Review Board with respect to audits of private limited companies upto 31.03.2023. QRB has completed reviews of 64 audit engagements consisting of 64 private limited companies in respect of 57 AFURs. These findings pertain to financial statements of 29 private limited companies for the audit of FY ended on 31 March 2018, 31 private limited companies for the audit of FY ended on 31 March, 2019 and 4 private limited companies for the audit of FY ended on 31 March, 2021. These findings have been categorised under various sections such as Standards on Auditing, Accounting Standards and Other Relevant Laws and Regulations.

a) Profile of Selected Private Limited Companies and AFURs

❖ Profile of Selected Private Limited Companies – Industry wise

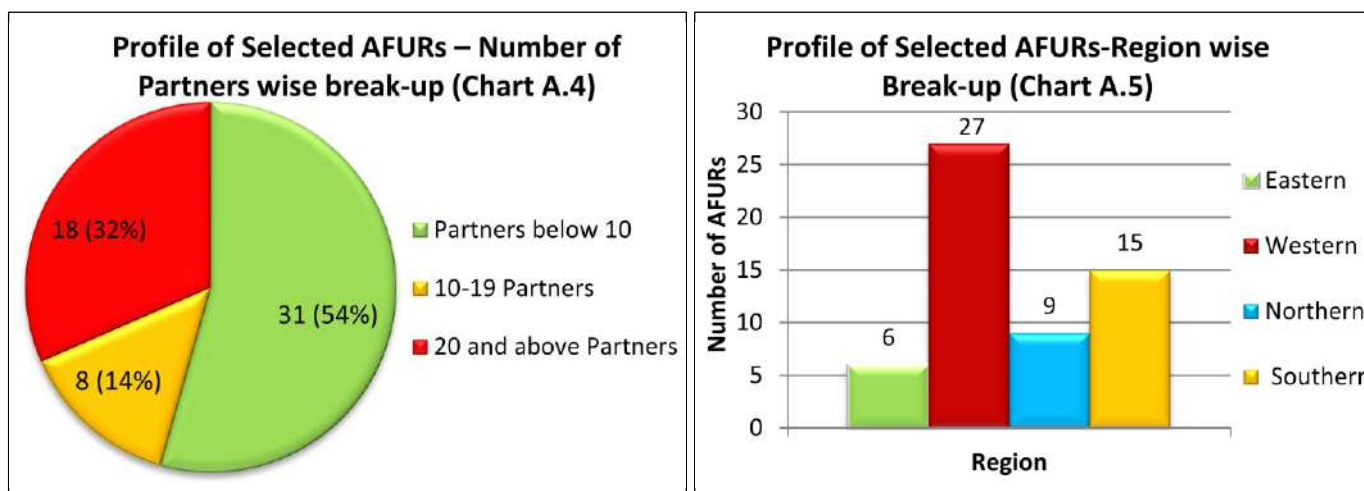
The following chart represents the number of industries forming part of the 64 selected private limited companies. It can be seen that maximum 14 companies are from Trading followed by 8 companies from Diamond, Gems and Jewellery, 6 companies each from Automobile & Auto Ancillaries, Miscellaneous and so on.



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

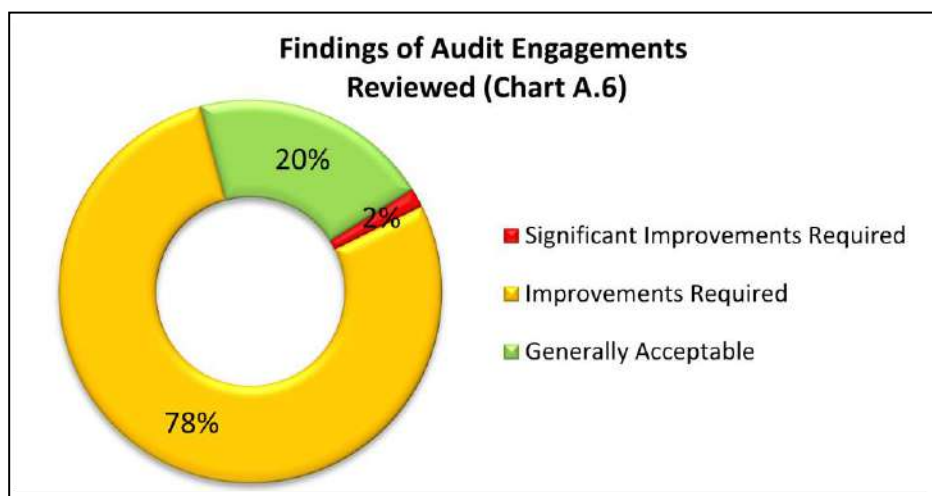
The following charts represent the break-up of selected AFURs in terms of the number of partners and region of the firms. Out of 57 AFURs selected during the period, 31 AFURs had below 10 Partners, 8 AFURs had between 10-19 Partners and 18 AFURs had 20 and above Partners.

Futher, out of 57 AFURs, 27 AFURs are from the Western Region followed by 15 AFURs from the Southern Region, 9 of AFURs from the Northern Region and 6 AFURs from the Eastern Region.



b) Findings of Audit Engagements Reviewed

The following chart represents the findings in respect of 64 audit engagements of private limited companies reviewed during the period. As can be seen, overall in 80% of audits reviewed, QRB has initiated action. While 78% cases required improvement where QRB issued advisories to the concerned AFURs for ensuring improvement in the quality of their services in future, 2% cases were forwarded to the Disciplinary Directorate of the ICAI for its examination. 20% cases were found to be acceptable and were thus closed.



Action Taken

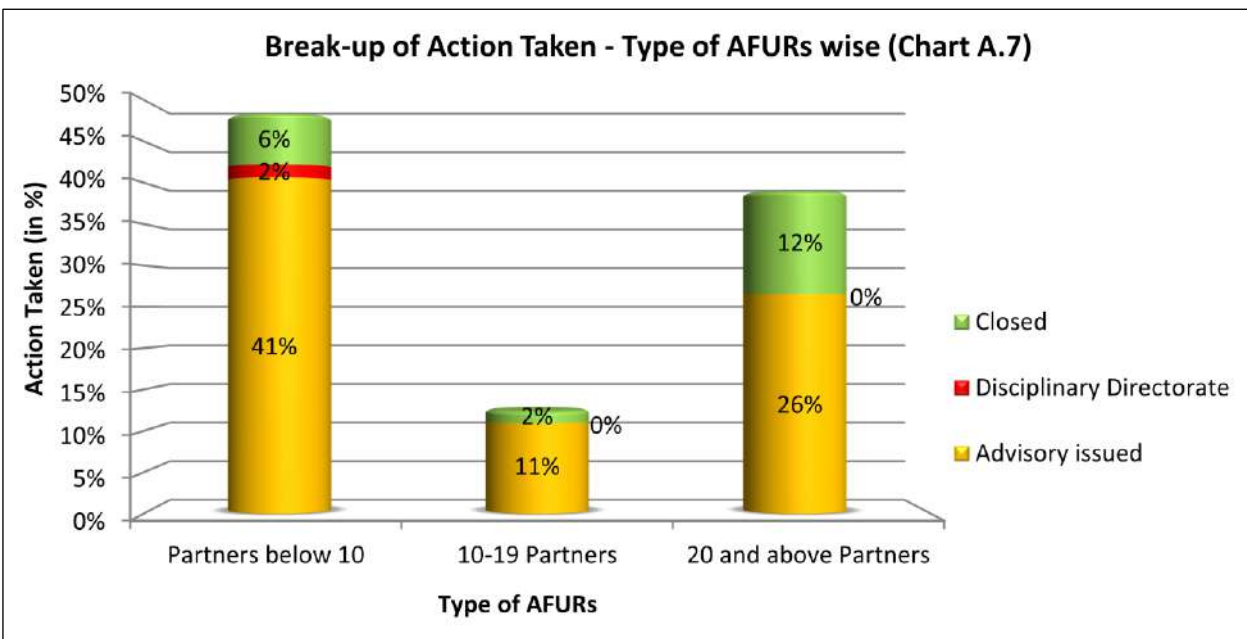
Upto FY 2022-23, QRB has completed reviews of 64 audit engagements of 64 private limited companies in respect of 57 AFURs. Of these:

- 1 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.
- 50 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.
- 13 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 20 and above Partners.

Accordingly, as can be seen below, in the case of AFURs having below 10 Partners, 41% cases required improvement where advisories were issued by QRB, 2% cases were forwarded to Disciplinary Directorate and 6% cases were closed. In case of AFURs having between 10 – 19 Partners, 11% cases required improvement where advisories were issued by QRB and 2% cases were closed. In case of AFURs having 20 and above Partners, 26% cases required improvement where advisories were issued by QRB and 12% cases were closed.

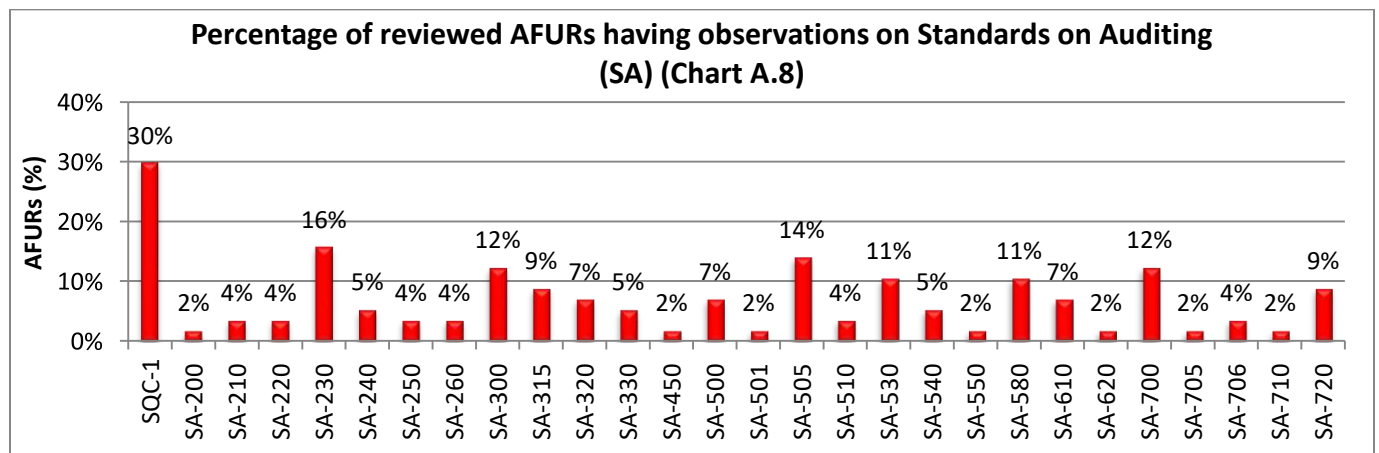


c) Analysis of Reviewed Audit Files

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

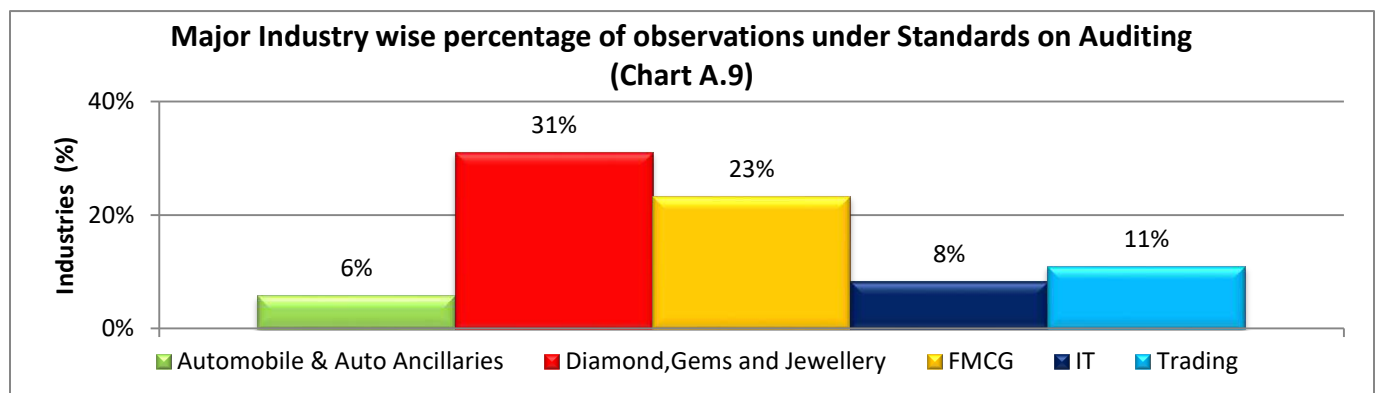
❖ Percentage of reviewed AFURs having observations on Standards on Auditing (SA)

The following chart represents the percentages of reviewed AFURs having observations under various SAs during audit quality reviews conducted. It can be seen that maximum AFURs had observations on Standard on Quality Control (SQC)-1 (30%) followed by SA 230 Audit Documentation (16%), SA 505 External Confirmations (14%), SA 300 Planning an Audit of Financial Statements (12%), SA 700 Forming an Opinion and Reporting on Financial Statements (12%) and so on.



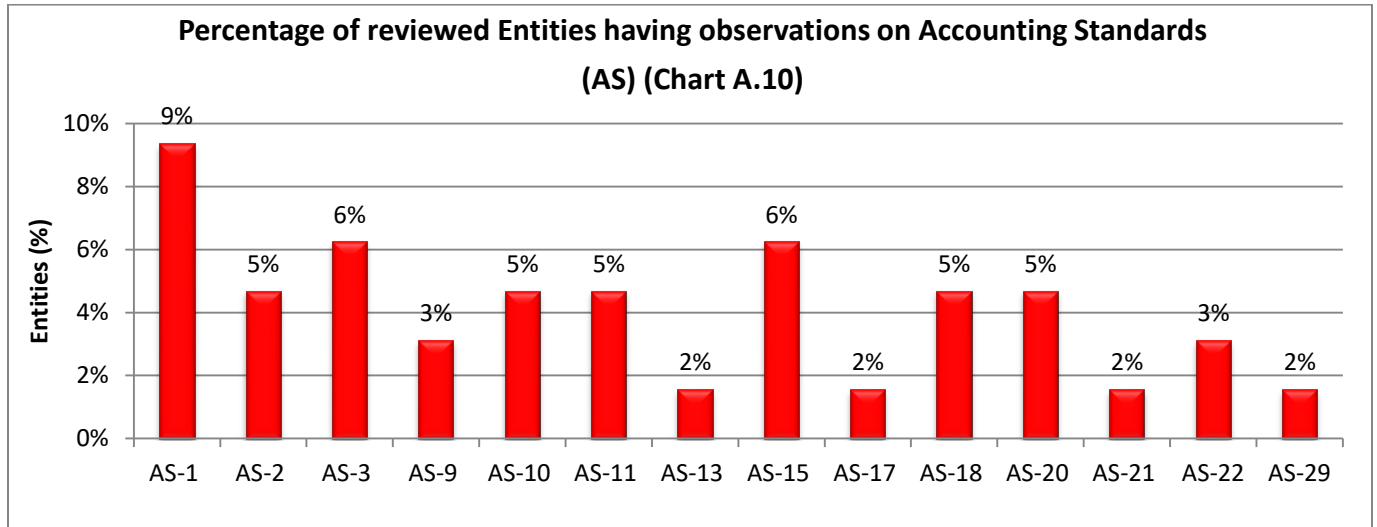
❖ Major Industry wise percentage of observations under Standards on Auditing (SAs)

The following chart depicts the major industry wise percentage of observations on SAs out of total number of observations on SAs in all the 64 Audit Files reviewed. It can be seen that maximum 31% observations on SAs were in respect of entities falling under Diamond, Gems and Jewellery followed by 23% in FMCG, 11% in Trading, 8% in IT and so on.



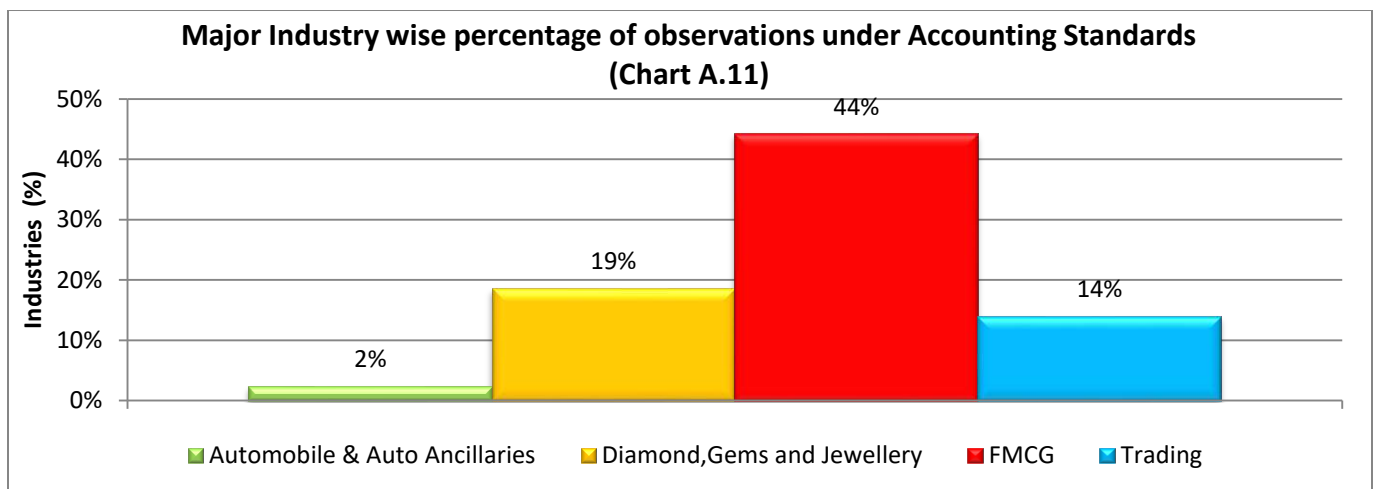
❖ **Percentage of reviewed Entities having observations on Accounting Standards (AS)**

The following chart represents the percentages of reviewed entities having observations under various AS during audit quality reviews conducted. It can be seen that maximum entities had observations on AS 1 Disclosure of Accounting Policies (9%) followed by AS 3 Cash Flow Statements (6%), AS 15 Employee Benefits (6%), AS 2 Valuation of Inventories (5%), AS 10 Property, Plant and Equipment (5%), AS 11 The Effects of Changes in Foreign Exchange Rates (5%), AS 18 Related Party Disclosures (5%), AS 20 Earnings Per Share (5%) and so on.



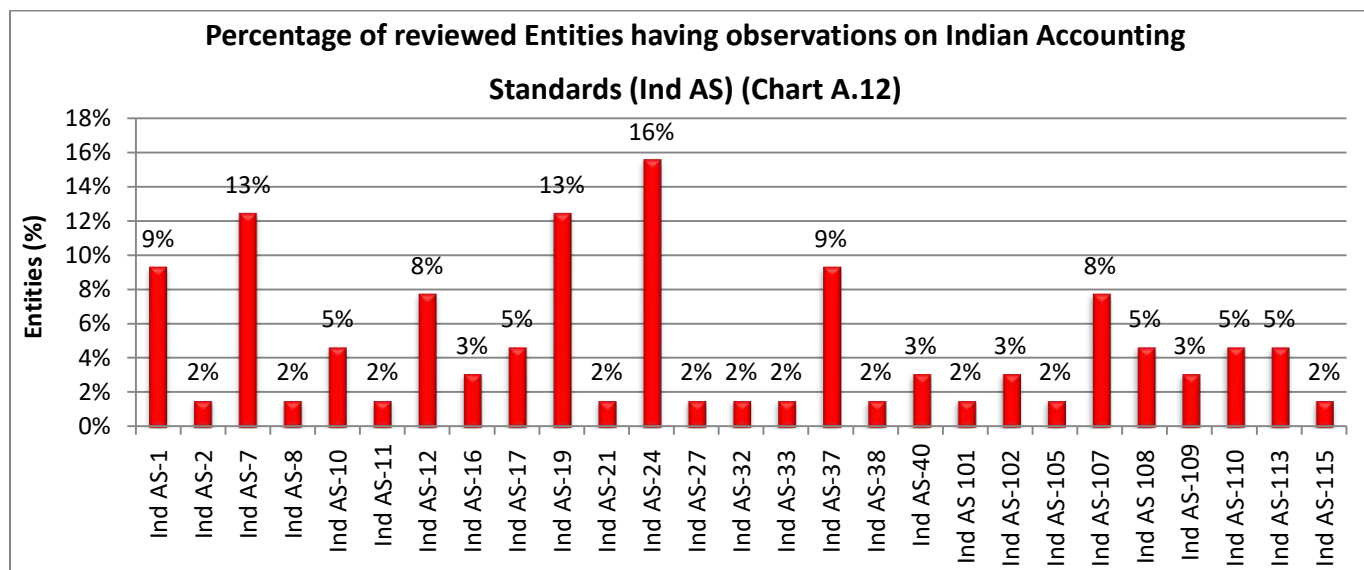
❖ **Major Industry wise percentage of observations under Accounting Standards (AS)**

The following chart depicts the major industry wise percentage of observations on AS out of total number of observations on AS in all the 64 Audit Files reviewed. It can be seen that maximum 44% observations on AS were in respect of entities falling under FMCG followed by 19% under Diamond, Gems and Jewellery, 14% under Trading and 2% under Automobile & Auto Ancillaries.



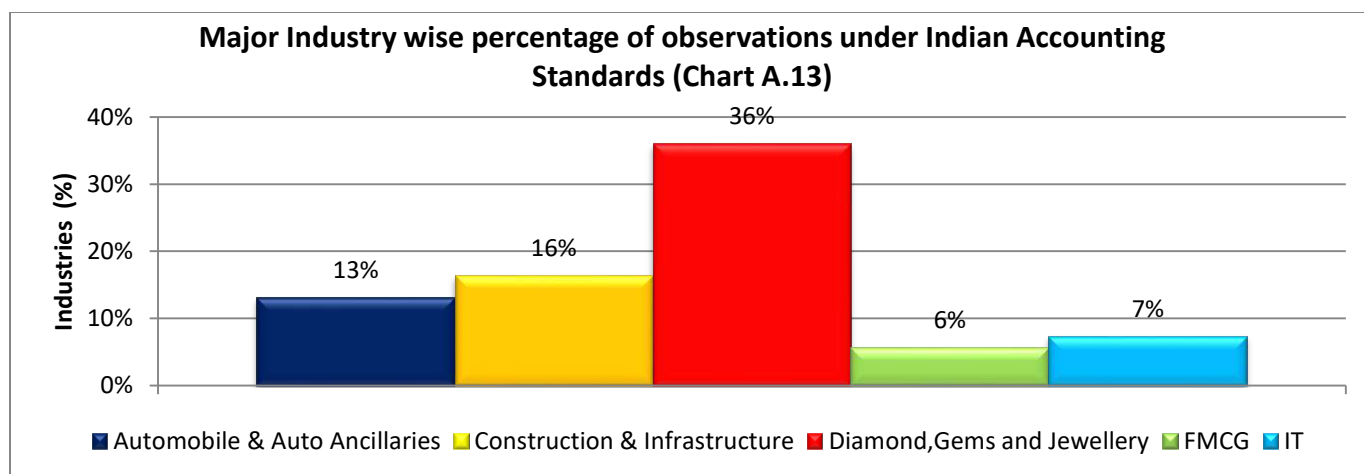
❖ **Percentage of reviewed Entities having observations on Indian Accounting Standards (Ind AS)**

The following chart represents the percentages of reviewed entities having observations under various Ind AS during audit quality reviews conducted. It can be seen that maximum entities had observations on Ind AS 24 Related Party Disclosures (16%) followed by Ind AS 7 Statement of Cash Flows (13%), Ind AS 19 Employee Benefits (13%), Ind AS 1 Presentation of Financial Statements (9%), Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets (9%) and so on.



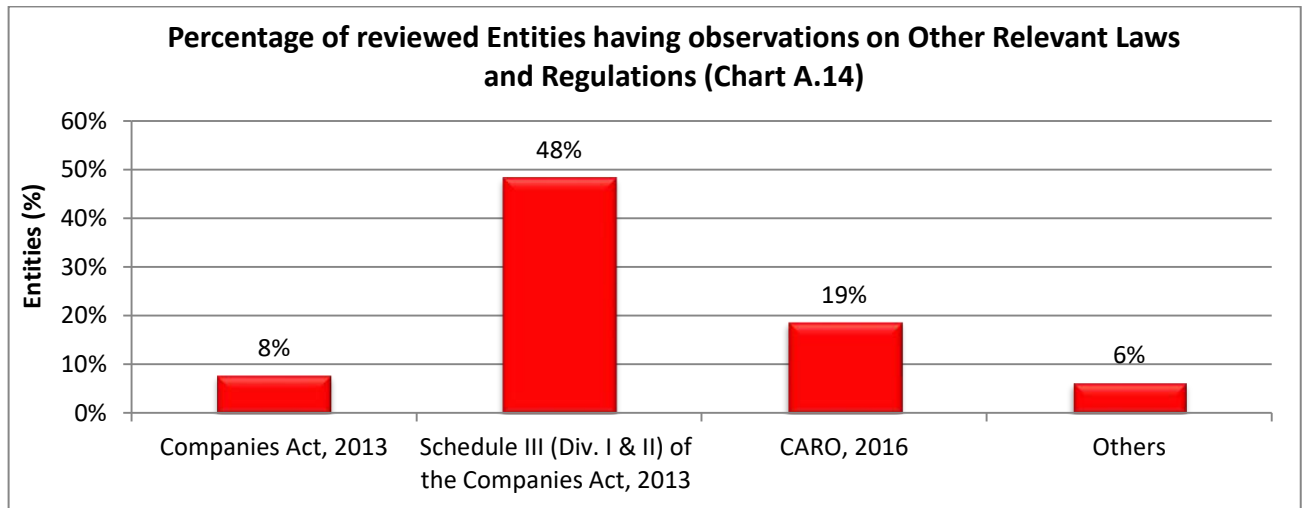
❖ **Major Industry wise percentage of observations under Indian Accounting Standards (Ind AS)**

The following chart depicts the major industry wise percentage of observations on Ind AS out of total number of observations on Ind AS in all the 64 Audit Files reviewed. It can be seen that maximum 36% observations on Ind AS were in respect of entities falling under Diamond, Gems and Jewellery followed by 16% under Construction & Infrastructure, 13% under Automobile & Auto Ancillaries, 7% under IT and so on.



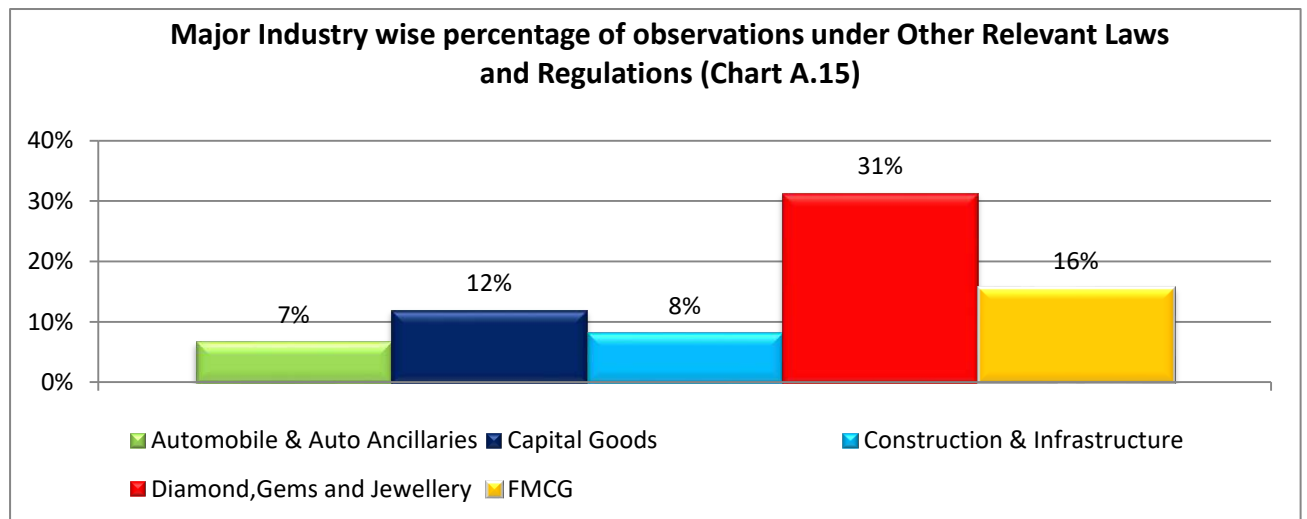
❖ **Percentage of reviewed Entities having observations on Other Relevant Laws and Regulations**

The following chart represents the percentages of reviewed entities having observations under Other Relevant Laws and Regulations during audit quality reviews conducted. It can be seen that maximum Entities had observations on Division I & II under Schedule III of the Companies Act, 2013 (48%) followed by CARO 2016 (19%), Companies Act, 2013 (8%), Others (6%).



❖ **Major Industry wise percentage of observations under Other Relevant Laws and Regulations**

The following chart depicts the major industry wise percentage of observations on Other Relevant Laws and Regulations out of total number of observations on Other Relevant Laws and Regulations in all the 64 Audit Files reviewed. It can be seen that maximum 31% observations on Other Relevant Laws and Regulations were in respect of entities falling under Diamond, Gems and Jewellery followed by 16% under FMCG, 12% under Capital Goods, 8% under Construction & Infrastructure and so on.



d) Observations in Major Focus Areas for Reviews

1. Audit quality control systems and supervision and Auditor independence

What we expect

We focus on the adequacy and effectiveness of the audit firm's own quality control policies and procedures by reviewing:-

- compliance with the requirements of SQC-1
- governance of the audit firm and its tone at the top
- the firm's internal and external audit quality reviews
- how audit quality impacts staff and engagement partner's performance
- how the firm conducts root cause analysis when assessing the underlying cause of audit quality findings
- the firm's plans to address findings from internal and external reviews, and how they monitor effective implementation.

The engagement partner plays an import role in achieving high-quality audits. We focus on whether senior audit team members and engagement partners have the skills and time to support and review work throughout the audit. This includes sufficient involvement in the planning, execution and final stages of the audit. Additionally, where important parts of an audit have been performed by more junior staff, we focus on whether those staff were supervised and reviewed in a timely manner by a sufficiently experienced manager or engagement partner.

The engagement quality control review (EQCR) partner also plays an important role in audit quality. We expect the EQCR partner to be involved in the key areas of risk in the audit file, wherever required. We also expect the EQCR to be performed during the planning, execution and final audit procedures, to ensure the audit team has sufficient time to address any comments from the EQCR partner. We review whether the EQCR partner's involvement is clearly documented on applicable audit file.

An important part of an auditor's role is to act in the interests of shareholders, investors and other stakeholders. As such, Auditors also need to effectively identify and assess any threats to their independence. They must apply appropriate safeguards to protect their independence, and report these properly to Audit Committees or Directors.

As a result of our past reviews, we continued to review independence for each audit file and the level of non-assurance services audit firms provide to their clients. In our reviews, we focus on audit firms that provide significant non-audit services to the reporting entities they audit. We consider:-

- Whether those non audit services are allowed as per applicable law,
- Whether they have appropriately identified threats to their independence,
- Whether those threats were sufficiently addressed by the controls put in place, and the audit work performed.

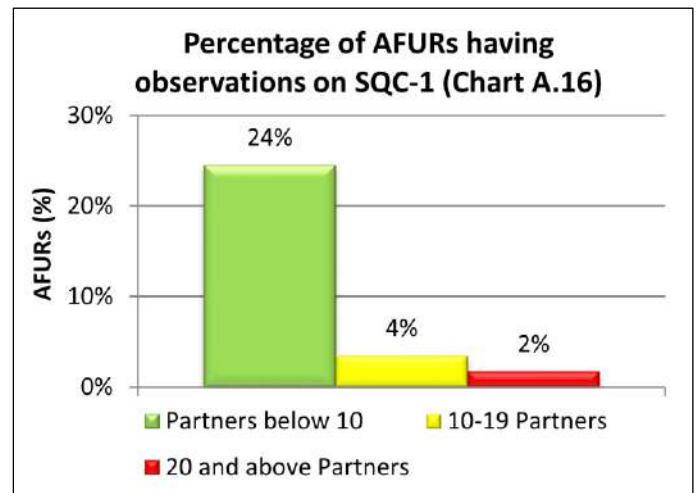
What we observed

❖ Number of observations in reviews conducted

Elements of SQC-1	Number of Observations
Introduction	6
Ethical Requirements	4
Acceptance and continuance of client relationships and specific engagements	4
Human Resources	4
Engagement Performance	14
Monitoring	2
Documentation	3

The following major observations in respect of Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements (SQC)-1 were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not establishing an appropriate system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements and that reports issued by the firm or engagement partner(s) are appropriate in the circumstances (*Para 3*).
- Not documenting the quality control policies and procedures addressing each of the six elements of the system of quality control (*Para 7*).
- Not including the following in the SQC Policy:-
 - Acceptance and continuance of client relationships and specific engagements
 - Monitoring
- Not documenting its policies and procedures on each element of Quality Control that should also be sufficiently comprehensive and suitably designed in relation to the firm's size, nature and complexity of the firm's practice (*Para 8*).



Ethical Requirements

Independence

- Not conveying independence policies of the firm to staff (*Para 18*).
- Not obtaining at least annually written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent in terms of the requirements of the Code (*Para 23*).
- The template in which the confirmation of compliance with independence requirements was obtained did not address all the requirements of independence as envisaged under Code of Ethics and the provisions of the Companies Act, 2013 (*Para 23*).

Acceptance and Continuance of Client Relationships and Specific Engagements

- Not establishing policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide it with reasonable assurance that it will undertake or continue relationships and engagements only where it: (a) Has considered the integrity of the client and does not have information that would lead it to conclude that the client lacks integrity; (b) Is competent to perform the engagement and has the capabilities, time and resources to do so; and (c) Can comply with the ethical requirements (*Para 28*).
- Not keeping the client continuance documentation (*Para 28*).
- In considering whether the firm has the capabilities, competence, time and resources to undertake a new engagement from a new or an existing client, not considering whether Firm personnel have experience with relevant regulatory or reporting requirements, or the ability to gain the necessary skills and knowledge effectively (*Para 31*).

Human Resources

- Not establishing policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements (*Para 36*).
- Human resources policy does not address all the issues mentioned in Para 37.

Assignment of Engagement Teams

- Quality Control Manual document did not spell out the parameters to decide the appropriate capability, competence of the engagement partner (*Para 42 b*).
- Not establishing procedures to assess its staff's capabilities and competence (*Para 45*).

Engagement Performance

- Not keeping current the processes for complying with applicable engagement standards for maintaining consistency in the quality of engagement performance as the checklists for complying with technical standards were not updated (*Para 47*).

Consultation

- Not establishing policies and procedures dealing with consultation (*Para 51*).

Differences of Opinion

- Not establishing policies and procedures for dealing with and resolving differences of opinion within the engagement team (*Para 57*).

Engagement Quality Control Review

- Not establishing policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report and setting out criteria against which all other audits and reviews of historical financial information, and other assurance and related services engagements should be evaluated to determine whether an engagement quality control review should be performed (*Para 60*).
- Not setting out criteria against which all other audits and reviews of historical financial information, and other assurance and related services engagements should be evaluated to determine whether an engagement quality control review should be performed (*Para 60 b*).
- Not establishing policies and procedures setting out: (a) the nature, timing and extent of an engagement quality control review; (b) criteria for the eligibility of engagement quality control reviewers; and (c) documentation requirements for an engagement quality control review (*Para 63*).
- Not establishing policies and procedures addressing the appointment of engagement quality control reviewers and establishing their eligibility (*Para 68*).

Engagement Documentation

- Not establishing policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized (*Para 74*).
- Not establishing policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation (*Para 82*).

Monitoring

- Not appropriately performing monitoring of the firm's system of quality control in line with the requirements of *Para 88*.

Complaints and Allegations

- Not establishing policies and procedures for dealing with "Complaints and Allegations" (*Para 101*).

Documentation

- Not establishing policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control (*Para 106*).
- Not maintaining documentation for keeping record of training (*Para 106*).

2. Professional Skepticism

What we expect

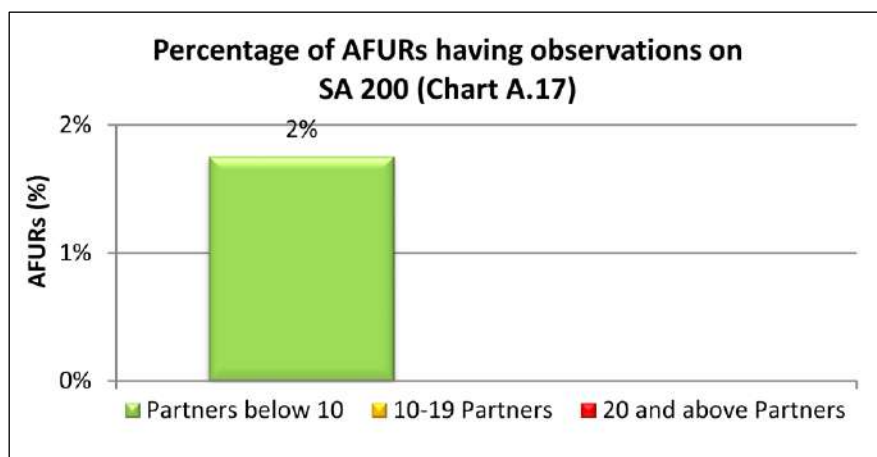
We expect an appropriate level of professional skepticism to be maintained during every audit. In the audit documentation, we expect to see sufficient audit evidence demonstrating that appropriate professional scepticism has been applied by the partners, quality control reviewers, and staff. Our focus for this is on the following areas:

- significant judgements on accounting estimates and fair value calculations
- reliability of data provided by management or directors
- impairment calculations
- changes in accounting treatments, or use of unusual accounting treatments by the entity.

What we observed

The following major observations were noticed in respect of Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with Standards on Auditing (SA 200) in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not planning and performing the audit with professional skepticism and not exercising professional judgement in planning and performing the audit (*Para 15, 16*).



3. Audit Evidence

What we expect

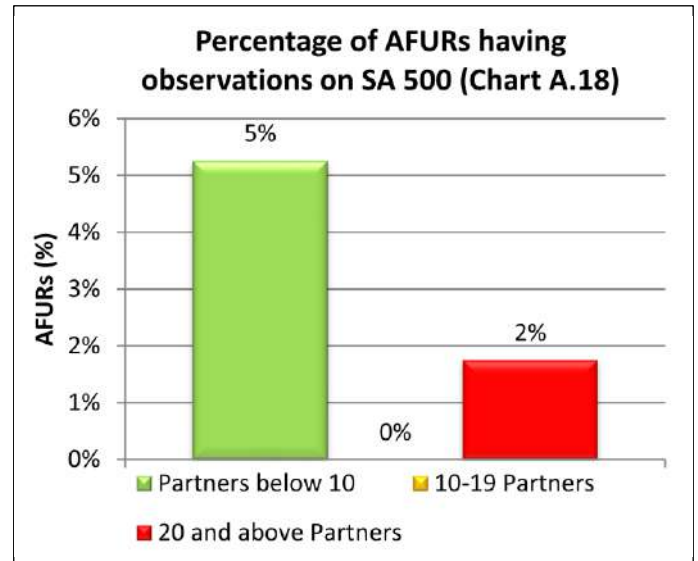
We review whether auditors have appropriate and sufficient audit evidence to support their opinion, with particular focus on the following areas of financial statements:-

- entity's going concern
- revenue recognition, including the assumptions of fraud and management override
- Key risks identified by the audit team for audit file.

What we observed

The following major observations in respect of Audit Evidence (SA 500) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not keeping evidence for performing audit procedures for obtaining sufficient appropriate audit evidence for:-
 - Compliance of the requirements of Companies Act, 2013.
 - Various items of financial statements.
 - Testing of the Internal Financial Controls in the Company.
 - Compliance of Standards on Auditing (Para 6).
- Not documenting sufficient appropriate audit evidence in the form of agreement/contract entered with the Holding and related Companies in relation to accounting of unearned revenue (Para 6).
- Not determining means of selecting items for testing that are effective in meeting the purpose of the audit procedure when designing tests of controls and tests of details (Para 10).



4. Understanding the entity and its environment

What we expect

We expect auditors to have an adequate understanding of entity's business model. This should be reflected in the auditor's risk assessment, to ensure that all key risk areas are included in the audit strategy.

We focus on whether the auditor has:

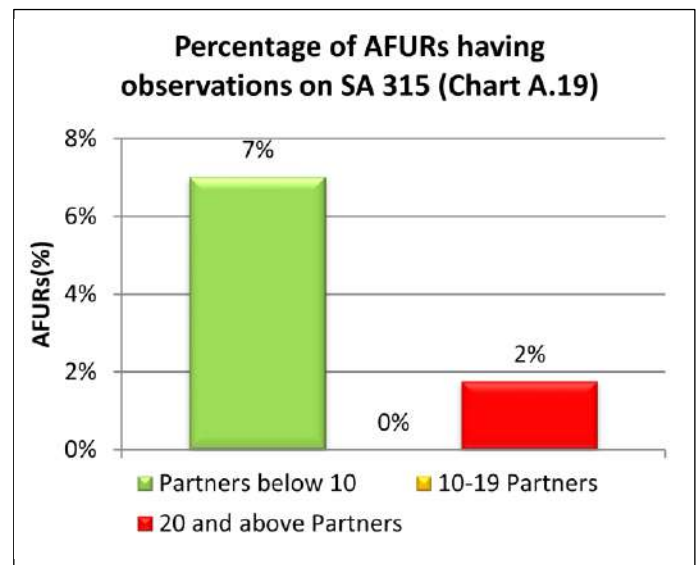
- properly identified the risks

- assessed the controls that are relevant to the audit, and has evaluated the design of those controls and determined whether they have been implemented
- appropriately tested reliance that has been placed on controls
- Obtained sufficient and appropriately detailed audit evidence.

What we observed

The following major observations in respect of Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment (SA 315) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not performing risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels (*Para 5*).
- Not considering whether information obtained from the auditor's client acceptance or continuance process is relevant to identifying risks of material misstatement (*Para 7*).
- Not providing sufficient evidence of obtaining an understanding of internal controls relevant to audit and of evaluating the design of those controls and determining whether they have been implemented, by performing procedures in addition to inquiry of the entity's personnel (*Para 13*).
- Not making reference in the Audit Plan for any special audit considerations for risks due to fraud (*Para 27 and 28(a)*).
- Not making reference in the Audit Plan for any special audit considerations for risks due to related party transactions (*Para 27 and 28(d)*).



5. Related Party transactions

What we expect

Although related party transactions may occur in the course of normal business, because the entities are not entirely independent of each other, the transactions may carry a higher risk of material misstatement in respect of:-

- Non-identification or non-disclosure
- Complexity of transactions and ability to appropriately account for them
- Fraud being conducted by the entity or the related parties

- the entity's ability to continue in business as a going concern, if the entity's interest is subordinated to that of related parties, or the transactions put undue pressure on the entity's performance.

The standards on auditing require auditors to obtain sufficient audit evidence regarding the accuracy and completeness of disclosure of related parties and related party transactions in the financial statements. When entities state that the transactions are on an 'arm's-length' basis, it is also important that the auditors verify this or otherwise ensure relevant information about the transaction is disclosed in the financial statements.

Audit firms should consider if their current procedures are sufficient to address risks associated with related party transactions. It is important that auditors apply sufficient professional skepticism when reviewing related party information, including whether all related parties and transactions have been captured. It is also important to ensure sufficient work has been done when an entity states in its financial statements that related party transactions have been conducted on an arm's length basis. The adequate disclosure of related party transactions is critical for investors to understand relationships the entity has that are not independent, and the impact these relationships have on the business. We therefore expect disclosure requirements to be complied with in all instances.

Our reviews focus on the auditors work in relation to:

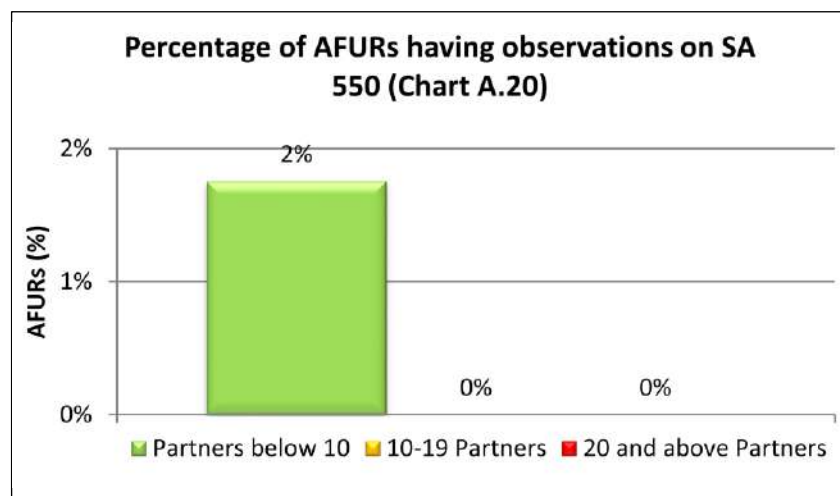
- Understanding the entity's policies, processes and procedures to identify and record related party relationships and transactions.
- Testing the completeness of related party relationships and the procedures to search for undisclosed related parties.
- Assurance for mirroring of transactions - whether relationship between parent and subsidiary and all other associates/joint ventures including transactions have been disclosed. The transactions between group entities may carry a higher risk of material misstatement in view of complexity of transactions and ability to appropriately account for them.
- Completeness and accuracy of related party transaction disclosures between group entities by reviewing corresponding reporting in their financial statements and other records existed.
- Whether Company has RPT policy? Is the policy in compliance with applicable laws?
- Testing the completeness, accuracy and disclosure of related party transactions.
- Assessing significant transactions that are outside the normal course of business.
- The auditor's requirement to test journal entries.
- Whether Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of approval mechanism and disclosure of related party transactions has been complied with, if applicable?

What we observed

The following major observations in respect of Related Parties (SA 550) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not performing the audit procedures and related activities set out in paragraphs 12-17 of SA 550 to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions (*Para 11*).

Standard on Auditing	Number of Observations	Number of AFURs having Observations (A)	Percentage of AFURs to Total AFURs (Total AFURs =57) (A)/Total AFURs
Related Parties (SA 550)	1	1	2

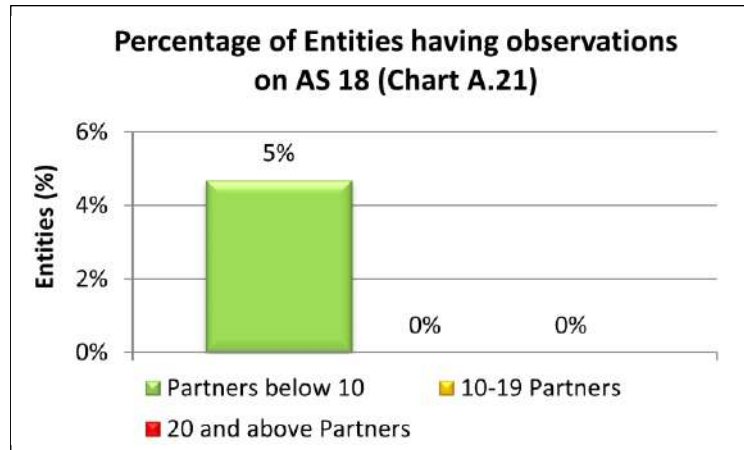


The following major observations in respect of Accounting Standard on Related Party Disclosures (AS 18) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not disclosing the amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and disclosure of transactions and other information for Key Management Personnel (*Para 23*).
- Not disclosing the expenses of study abroad for 2 employees (related to directors) under related party transactions (*Para 23*).

Accounting Standard	Number of Observations	Number of Entities having Observations (A)	% of Entities to Total Entities (Total Entities =64) (A)/Total Entities
Related Party Disclosures (AS 18)	3	3	5

- Not disclosing various items like description of the relationship between the parties, volume of transactions, outstanding balances, amounts written off as bad debts and certain transactions under disclosures for related party transactions (*Para 23*).

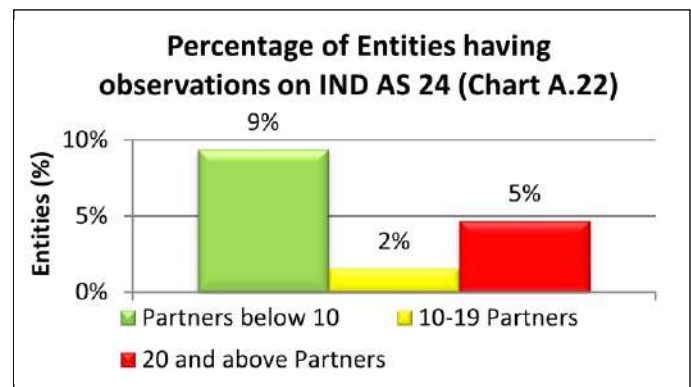


The following major observations in respect of Ind AS on Related Party Disclosures (Ind AS 24) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not disclosing the relationship between the parent and its subsidiary under disclosures for Related Party transactions (*Para 13*).
- Not disclosing key management personnel compensation for each category, such as short-term employee benefits, post-employment benefits, other long-term benefits etc. (*Para 17*).
- Not disclosing certain transactions with one associate company (*Para 18*).

Indian Accounting Standard	Number of Observations	Number of Entities having Observations (A)	% of Entities to Total Entities (Total Entities =64) (A)/Total Entities
Related Party Disclosures (Ind AS 24)	17	10	16

- Not disclosing outstanding balances of related party transactions (*Para 18*).
- Not disclosing payment of sum to a related trust towards CSR expenses under related party transactions (*Para 18*).
- Not disclosing the terms and conditions of loans to its subsidiary (*Para 18 (b)(i)*).
- Not disclosing one of the related party and the transactions with it during the financial year (*Para 18 & 19*).



- Not disclosing the buy back of shares by the parent company under related party disclosures (*Para 18*).
- Not disclosing the details of corporate guarantee given by the parent company for a short term loan obtained by the company under disclosures for related party transactions in the financial statements (*Para 18*).
- Not disclosing the allowance for doubtful debts created on the Trade Receivables from related parties under related party transactions in the financial statements (*Para 18*).
- Wrong classification of Trade Receivable and Trade Payable under Related Party Transactions in the financial statements as parties with negative figures were included under them.
- Not disclosing the nature of relationship with one of the related party for the shares held by it in the company (*Para 18*).
- Disclosing incorrect amount for Trade Receivables under disclosure for related party transactions (*Para 18*).
- Not classifying the related party relationships as required by paragraph 19.
- Not disclosing the amount of loan repaid during the current year to one of its fellow subsidiary company under Related Party Transactions in the financial statements (*Para 21*).
- Not disclosing that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made if such terms can be substantiated (*Para 23*).

6. Auditor responsibilities relating to fraud

What we expect

Auditors provide assurance that the financial statements, taken as a whole, are free from material misstatement caused by fraud or error. The auditing standards require auditors to perform audit procedures to assess the risk of fraud and to obtain sufficient audit evidence to mitigate the risks identified as part of their assessment.

In each audit, auditors must assess the risk of fraud due to management override and the possibility of fraud in revenue recognition. It is also important for auditors to understand other laws and regulations that entities have to comply with.

We expect auditors to increase their efforts to identify the risk of fraud. They should plan and carry out appropriate procedures to address identified risks. Given material misstatement due to fraud can occur throughout the period, and may involve extensive efforts to conceal how the fraud is accomplished, we expect auditors to be alert to this and not simply take a predictable 'check-the-box' approach to testing the risk of fraud. The audit standard requires auditors to perform certain procedures to address this risk, which should be clearly documented in their approach.

In our reviews, we focus upon:-

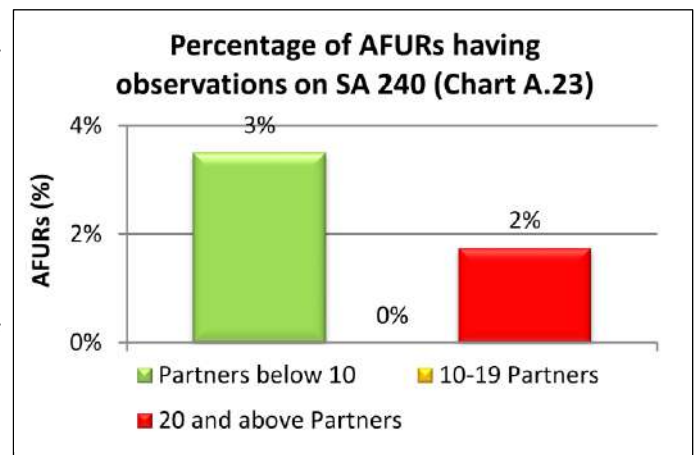
- the auditor's assessment of the risk of fraud, including fraud in revenue recognition
- the auditor's assessment of significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual

- the auditor's requirement to test journal entries, in particular:
 - the assessment of processes in place at the entity to post and review journal entries
 - selection of journal entries and other adjustments made at the end of a reporting period
 - the auditor's assessment of the need to test journal entries throughout the period

What we observed

The following major observations in respect of The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements (SA 240) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not documenting performance of necessary audit procedures including making inquiries of management and others or those charged with governance (*Para 17, 21*).
- Not making inquiries of internal auditor and those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity (*Para 19, 21*).
- Not identifying Revenue Recognition as a presumed fraud risk in the Audit Plan (*Para 26*).
- Not including the audit procedures relating to the presumed risk of management override of controls in the Audit Plan (*Para 31 and 32*).
- Not obtaining written representation from the management or those charged with governance for:-
 - the matters as stated in *Para 39*.
 - that they have disclosed to the auditor the results of its management's assessment of the risk that the financial statements may be materially misstated as a result of fraud (*Para 39b*).
- Not documenting the reasons for rebutting the revenue recognition as a presumed fraud risk in the Audit Plan (*Para 47*).



7. Accounting estimates

What we expect

The appropriateness of estimates and judgements is important because of their impact on financial results and the going concern of the company. To make these assessments, entities may use their own staff or a third-party expert to support its estimates and judgements. Experts that may be used include actuaries, financial analysts, valuers and engineers. Examples of areas that may be impacted by estimates and judgements include (but are not limited to):

- valuations of certain assets and liabilities at fair value
- investments in unlisted entities
- complex accounting for revenue transactions
- assessment of the going concern of the entity
- impairment assessments on significant assets.

In our audit file reviews, we look at the quality of the financial statement disclosure in relation to estimates and judgements. Significant changes from the prior year or large impairments may cause us to look more deeply at the work completed around estimate and judgements. Over the past few years we have noted improvements by auditors in documenting their assessment of more complex areas of estimate and judgement, but more work is needed in the following areas:-

- Assessing the reliability of estimates used in prior year financial statements.
- Questioning or testing management assumptions such as growth assumptions.
- Evaluating key assumptions and performing sensitivity analysis to determine the impact of each assumption, and consideration that multiple assumptions can move together at the same time.
- Assessment of whether the financial statement disclosure is clear and concise, and includes all key information for investors to assess the impact of (sometimes small) changes in key assumptions.
- When auditors are relying on experts (either the firm’s internal experts, or experts used by the entity) we expect to see the following:-
 - The assessment of the completeness, accuracy and reasonableness of source data used by the expert.
 - The audit team’s documentation of the understanding of the expert’s work. This includes identifying key data and assumptions that impact the overall valuation, the instructions sent to the expert and the methods used by the expert.
 - Auditors sufficiently addressing the impact of the management expert’s or internal expert’s disclaimers regarding completeness of information or reliability of data.
 - The work of experts may vary significantly in scope. The auditor needs to understand the expert’s scope and perform additional audit work to mitigate any areas that were not included in the expert’s scope.

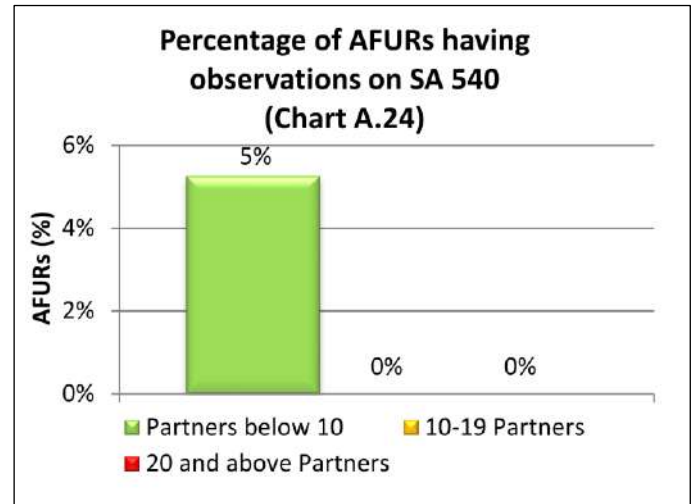
Auditing estimates and judgements may include auditing complex valuations. Challenging the entity in these areas requires highly skilled staff. We expect audit teams to set appropriate thresholds within which these judgements can move. It is important that auditors require the entity to provide sufficient disclosure in the financial statements about the impact of the changes in the assumptions supporting these valuations.

The engagement partner should be involved in planning and executing these procedures. In complex areas that are outside the expertise of the auditor, we expect the audit firm to engage its own expert to assess the relevance and reasonableness of the key assumptions and methods used. If insufficient information is available, the auditor should assess the impact of this on the audit opinion.

What we observed

The following major observations in respect of Auditing Accounting Estimates, Including Fair Value Accounting Estimates and related Disclosures (SA 540) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not obtaining an understanding in order to provide a basis for the identification and assessment of the risks of material misstatement for accounting estimates (*Para 8*).
- Not documenting the basis or reasonableness of the financial projections which have been considered for ascertaining the recognition of deferred tax assets under AS-22 (*Para 18*).
- Not obtaining written representation from management that significant assumptions used in making accounting estimates were reasonable (*Para 22*).
- Not documenting the basis for conclusions about the reasonableness of accounting estimates and their disclosure that give rise to significant risks; and indicators of possible management bias, if any (*Para 23*).



8. Auditor's use of experts

What we expect

Where financial reports are complex, or include matters requiring specialist knowledge such as valuations of certain assets and liabilities, entities may use the advice of external or internal experts.

We expect auditors who rely on the work of these experts to:-

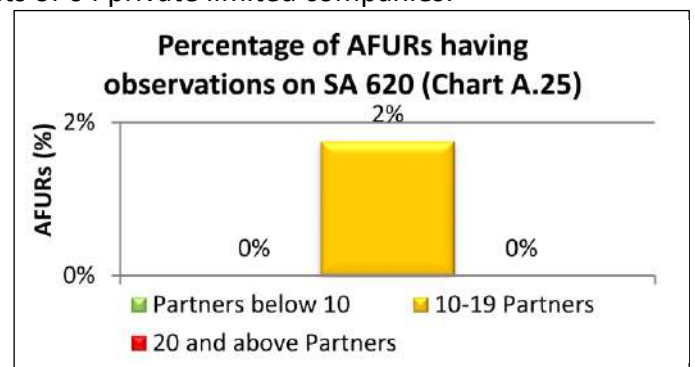
- check their competence and objectivity.
- evaluate the quality of the experts' work, their independence, their key assumptions, and the valuation methods used.

We review whether the auditor considered engaging their own external expert (if the audit firm doesn't have in-house expertise) to challenge the work of the entity's expert.

What we observed

The following major observations in respect of Using the Work of an Auditor's Expert (SA 620) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not evaluating whether the actuary has the necessary competence, capabilities and objectivity for the auditor's purposes and not evaluating the relevance and reasonableness of the assumptions and methods used by him (*Para 9, 12*).



9. Materiality and audit sampling

What we expect

An auditor's key role is to form an opinion on whether the financial statements of an entity are free from material misstatements. As they cannot test all transactions to form an opinion, auditors instead use two important concepts to determine the level of transactions they should test: materiality and audit sampling.

Setting incorrect levels of materiality and insufficient sampling of transactions could result in auditors not identifying material errors or misstatements in financial statements.

Materiality

The concept of materiality is defined in both accounting and auditing standards. Misstatements, including omissions, are material if they, individually or in the aggregate, could reasonably be expected to influence economic decisions of users taken based on financial statements.

In the planning stage of an audit, auditors determine the appropriate basis, percentage, and material benchmark to scope the audit approach. During the audit, they will, if necessary, revise the materiality of financial statements based on information they receive. The auditor is also required to take other qualitative matters into account when assessing whether or not financial statements are materially misstated – for example, whether an entity provided the level of disclosures required by the accounting standards.

Sampling

As it is not always possible or efficient for an auditor to test all transactions, they can test a sample of transactions to obtain a reasonable level of assurance over an entire population. There are several factors that impact sample size and how it is selected. Often an auditor will use different techniques for different types of assets, liabilities or items in a profit and loss account. They can apply their professional judgement in different ways to select a sample size. As judgement is involved, they should document their considerations and the purpose of the audit procedure, the characteristics of the population from which the sample will be drawn, and other relevant decisions made to select a sample size that is sufficient to reduce sampling risk to an acceptably low level.

If unusual benchmarks are used, the audit documentation should explain why the chosen benchmark was used and how it better responds to the needs of the users in comparison to other more common benchmarks. Although the firm's methodology will include templates for calculating materiality, the auditor should still document the judgements made in selecting the appropriate benchmark, and the allowable range within the benchmark.

Auditors should also continue to focus on the way audit teams perform audit sampling, especially:

- The appropriateness of tests and whether they address the risks identified for that class of transaction.

- Where errors are identified, whether conclusions drawn for the overall population are appropriate.
- Ensuring the audit team have obtained sufficient comfort in relation to the untested population.

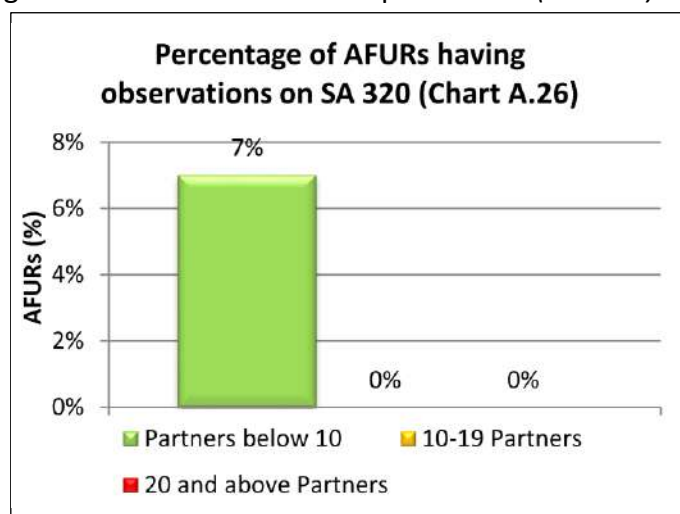
The auditor should make a robust assessment on the impact of errors and other areas of non-compliance with the technical standards.

We continue to review auditor compliance with materiality and sample size requirements on audit file. We assess if the root-cause analysis and remediation plans are sufficient to address our concerns in these areas.

What we observed

The following major observations in respect of Materiality in Planning and Performing an Audit (SA 320) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

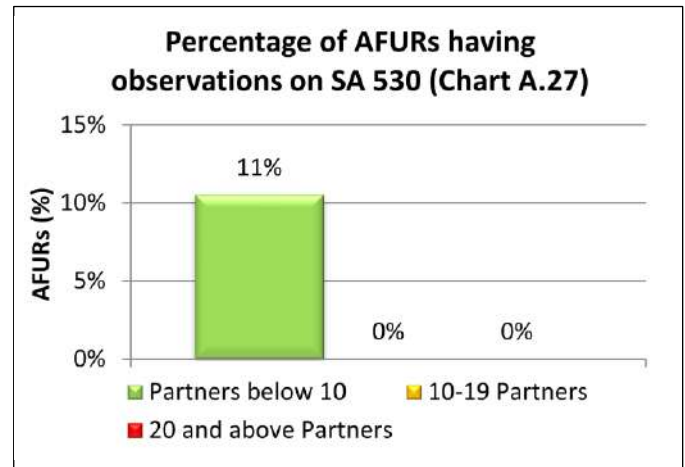
- Not determining performance materiality for the purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures (*Para 11*).
- Not documenting the overall audit materiality for the financial statements as a whole and also performance materiality for the purposes of assessing the risks of material misstatements and determining the nature, timing and extent of further audit procedures (*Para 11, 14*).
- Not documenting the factors considered in determination of (a) Materiality for the financial statements as a whole; (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures; (c) Performance materiality (*Para 14*).



The following major observations in respect of Audit Sampling (SA 530) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

- Not keeping audit documentation to substantiate the sampling procedure performed in accordance with SA 530.
- Not considering the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn while designing an audit sample (*Para 6*).
- Not documenting:
 - sampling method used
 - population and sample size selected
 - items for sample

- deviations observed on the samples vis a vis the population sample, its acceptable level and the need for revising the samples
- evaluation of the results of sampling (*Para 6, 7, 8, 15*).
- Not selecting items for the sample in such a way that each sampling unit in the population has a chance of selection (*Para 8*).



e) Summary of Observations in Other Areas

i) 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 64 private limited companies:-

Agreeing the Terms of Audit Engagements (SA 210)

- Not drawing up engagement letter in line with the requirements of Section 144 of the Companies Act, 2013 (*Para 10, A22*).
- The engagement letter was wrongly dated prior to the date of appointment at the AGM.

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

- Not ensuring that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed, and determining that conclusions reached in this regard are appropriate (*Para 12*).
- Not documenting that engagement quality control reviewer has performed an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report (*Para 20*).

Audit Documentation (SA 230)

- Not maintaining carry forward working papers i.e., record of matters of continuing significance for future audits (*Para 3*).
- Not preparing audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of audit procedures performed to comply with the relevant requirements of SAs and other applicable legal and regulatory requirements; the results of audit procedures performed and audit evidence obtained; the significant matters arising during audit, the conclusions reached thereon and significant professional judgements made (*Para 8*).
- Not documenting/keeping sufficient audit documentation for recording audit procedure performed and audit evidence obtained for (*Para 8*):-
 - Depreciation schedule showing details of description of assets, date of purchase, date of sale, life used etc. for Property, Plant and Equipment.
 - Existence and valuation of inventories.
 - Physical verification sheets for inventory/stock checked during physical verification of Inventory
 - Bank reconciliations
 - Bank confirmations showing maturity details of Bank deposits
 - Security deposits (Party wise details)
 - Sales promotion expenses.

- Bonus calculations including calculation of available/allocable surplus and the list of eligible employees.
- Ensuring compliance as specified under Ind AS 109 with regard to financial assets and liabilities.
- Analysis of constructive obligations to recognize provisions as per Ind AS 37.
- Evaluation of the observations (modification and /or emphasis of matter) in the component auditor's report, in the auditor's report on the Consolidated Financial Statements.
- "Audit Process note" did not detail the population, the samples selected, the details of the procedure performed and the outcome thereof.
- Showing the recognition criteria for probable events and the present obligation on these demands, which necessitates not to create a provision, but disclose under contingent liabilities.
- Standard checklist for compliance with the Standards on Auditing as required in terms of Para 8(a) read with Para A17.
- Keeping insufficient documentation in the form of specific attributes tested, audit programme, analysis, issues, memorandum etc. as required in terms of Para 8 & 9 read with Para A3.
- The evidences collected / obtained were kept on record without linking to any audit program or account balance.
- There was no bifurcation in the file on the documents provided by the client and the documents generated / prepared by the firm.
- Not documenting discussions of significant matters with management or those charged with governance (*Para 10*).
- Not assembling the final audit file on a timely basis after the date of auditor's report (*Para 14*).

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

- Not documenting obtaining a general understanding of the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and how the entity is complying with that framework (*Para 12*).
- Not obtaining sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements (*Para 13*).

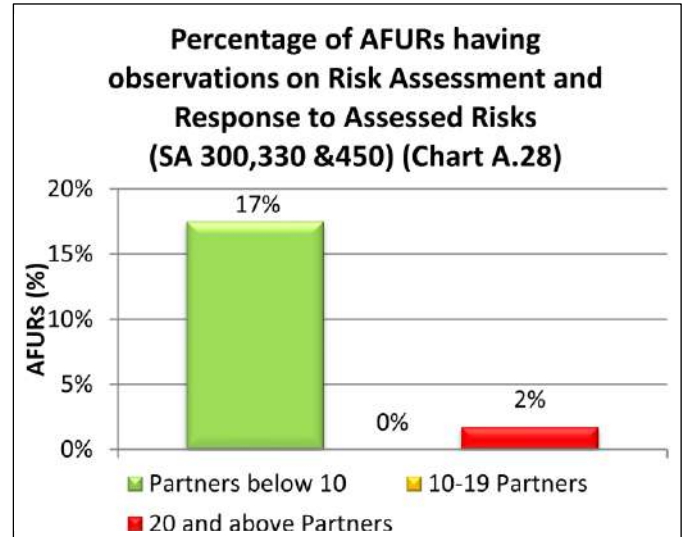
Communication with Those Charged with Governance (SA 260)

- Not documenting the appropriate person who needs to be communicated (TCWG) (*Para 11*).
- Not documenting communication on matters of concerns to TCWG (*Para 16*).
- Not documenting matters orally communicated to management (*Para 23*).

Risk Assessment and Response to Assessed Risks (SA 300, 330 and 450)

Planning an Audit of Financial Statements (SA 300)

- The overall audit strategy and audit plan did not contain the timing and resources necessary to perform the engagement (*Para 6, 7*).
- Not developing an audit plan including a description of the nature, timing and extent of planned risk assessment procedures as determined under SA 315 and planned further audit procedures at the assertion level as determined under SA 330 (*Para 8*).
- Audit plan did not cover the nature, timing and extent of direction and supervision of engagement team members and the review of their work in respect of vouching in the audit engagement (*Para 10*).
- Not separately documenting the overall audit strategy and the audit plan (*Para 11*).

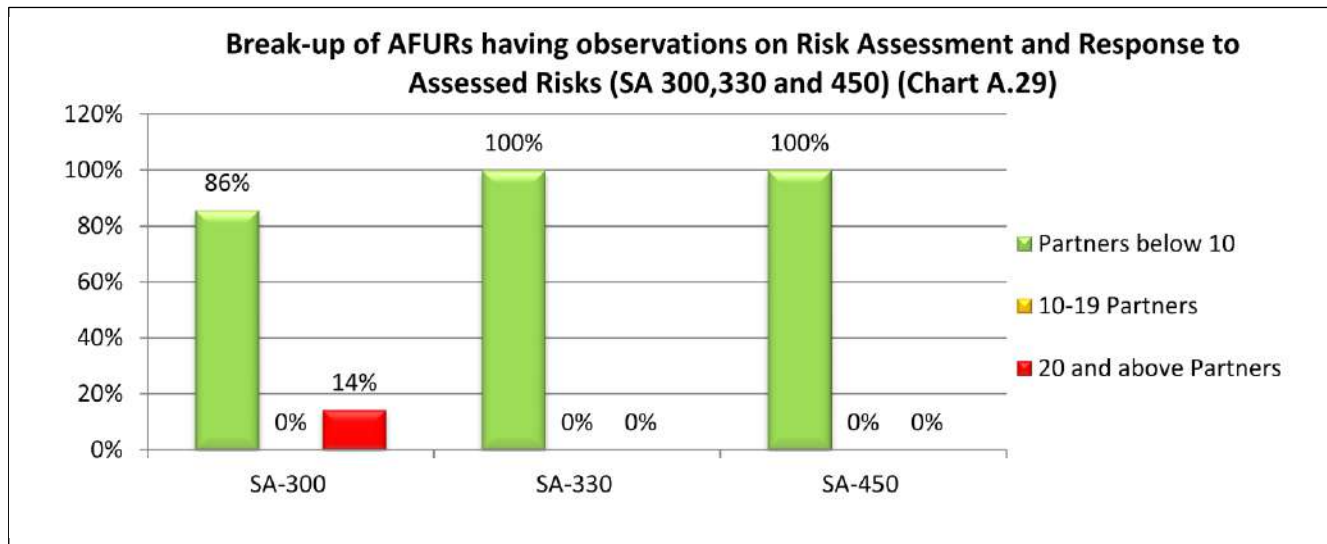


The Auditor's Responses to Assessed Risks (SA 330)

- Not designing and implementing the overall responses to address the assessed risks of material misstatement at the financial statement level (*Para 5*).
- Not designing and performing further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level (*Para 6*).
- Not documenting performing tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls (*Para 8*).
- Work papers for performing substantive testing were not cross referred to the underlying accounting records (*Para 20a*).
- Not comprehensively documenting with regard to understanding of control activities necessary to assess the risks of material misstatement at assertion level and linking of such controls to the audit procedures (*Para 28*).

Evaluation of Misstatements identified During the Audit (SA 450)

- Not documenting all misstatements accumulated during the audit and whether they have been corrected (*Para 15b*).



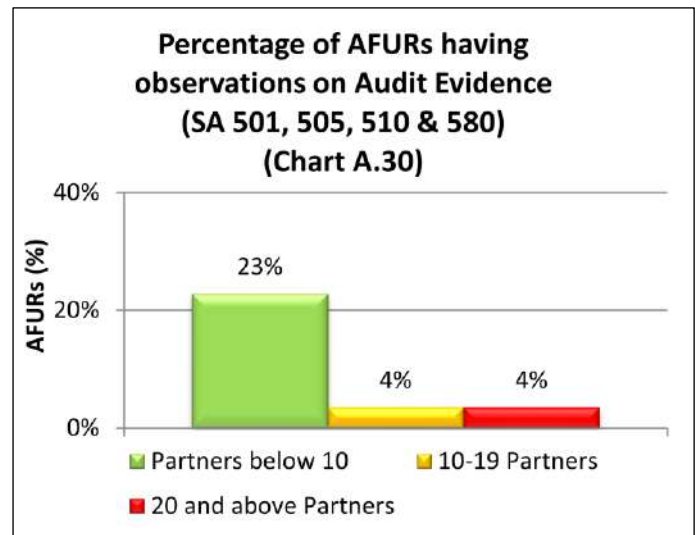
Audit Evidence (SA 501, 505, 510 and 580)

Audit Evidence – Specific Considerations for Selected Items (SA 501)

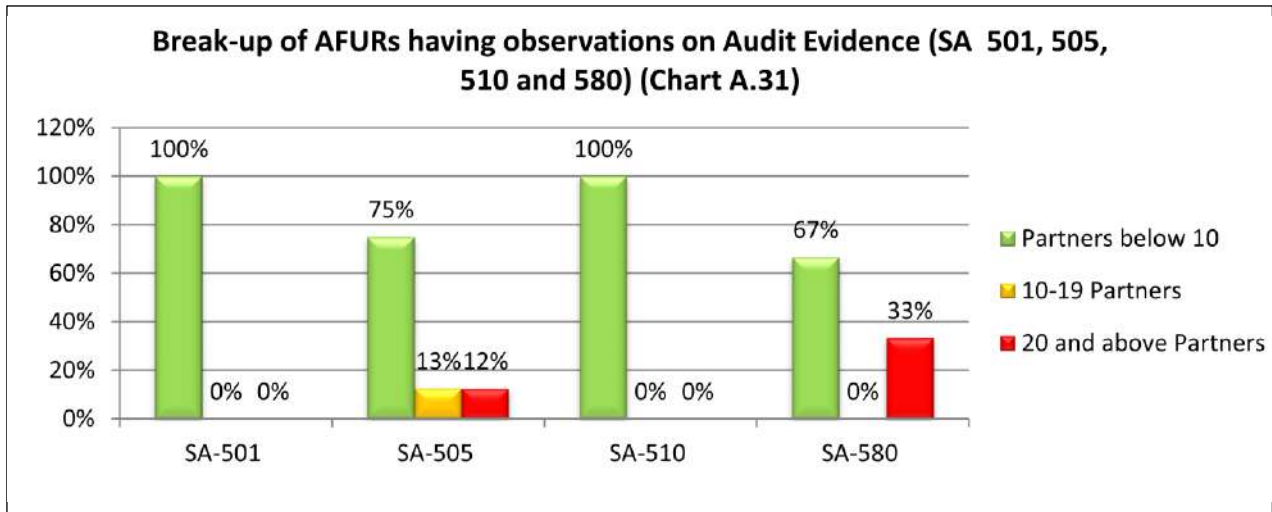
- Not performing audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement (Para 9).

External Confirmations (SA 505)

- Not performing external confirmation procedures to obtain relevant and reliable audit evidence (Para 5).
- Not performing external confirmation procedures and not keeping documentation for external confirmation procedures as required by SA 505 for:-
 - Trade receivables or trade payables
 - Loans and advances given or received
 - Bank borrowings
 - Bank balances
 - Investments
 - Brokers/Agent Balances, Co-insurer etc.
 - Related party balances (Para 7).
- Not keeping documentation to indicate whether the external confirmation requests were circularised under the direct control of the firm (Para 7).



- Not maintaining control over external confirmation requests, including not designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor (*Para 7c*).
- Neither circularizing requests for confirmations of vendor and customer balances as the management refused to allow auditor to seek confirmation requests nor documenting reasons for management's refusal as well as not evaluating the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement and not performing alternate audit procedures designed to obtain relevant and reliable audit evidence (*Para 8*).



Initial Audit Engagements- Opening Balances (SA 510)

- Not carrying out the audit procedures for opening balances as specified in Paragraph 5 -7 of SA 510.
- Not obtaining sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements (*Para 6*).

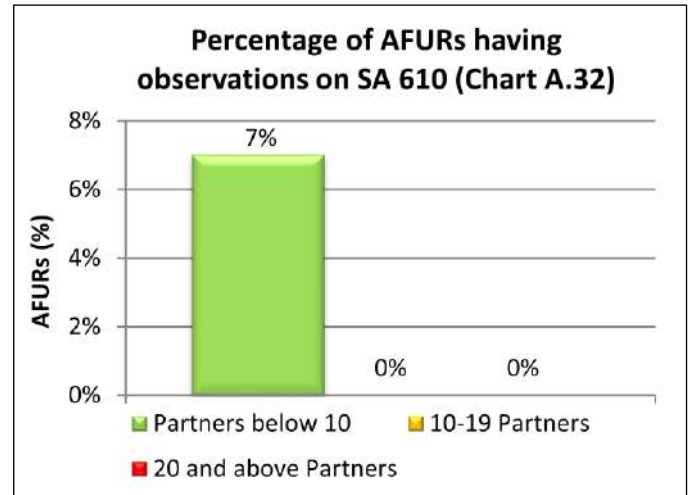
Written Representations (SA 580)

- Not obtaining written representation from management on the matters specified in Para 26 of SA 550 and Para 9 of SA 580.
- Written representation did not contain the information as provided for in Para 10 of SA 580.
- Not obtaining management representation for creating deferred tax on capital assets with intention to sell the land. Deferred tax was created based on the assumption/intention of the management that it will have gain on sale of mutual funds in future which will be taxable against which such deferred tax will be absorbed (*Para A10*).
- Not including in the written representation obtained from the management the management's responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud (*Para 11*).
- Written representation from the management was dated after the date of the auditor's report on the financial statements (*Para 13*).

- Obtaining written representation from the management before the end of the financial year though it should be dated as near as practicable to, but not after, the date of the auditor's report on the financial statements (*Para 13*).

Using the Work of Internal Auditors (SA 610)

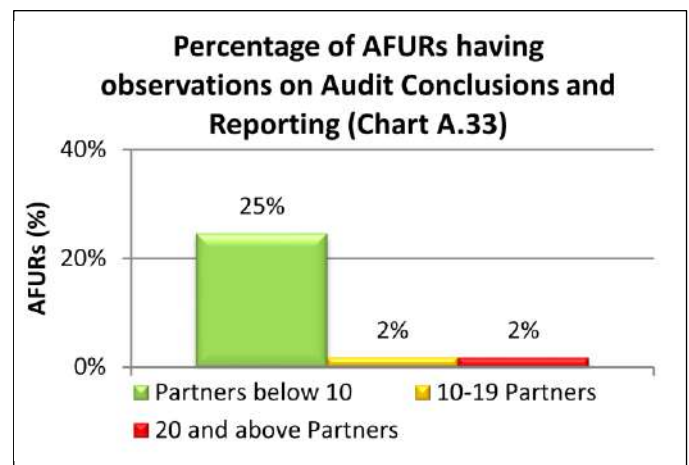
- Not documenting when using the work of the internal audit function:-
 - The evaluation of: (i) Whether the function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors; (ii) The level of competence of the function; and (iii) Whether the function applies a systematic and disciplined approach, including quality control;
 - The nature and extent of the work used and the basis for that decision; and
 - The audit procedures performed by the external auditor to evaluate the adequacy of the work used (*Para 36*).
- Not documenting conclusions regarding the evaluation of the adequacy of the work of the internal auditors when using specific work of the internal auditor as not even a copy of the internal audit report was kept on record (*Para 13*).
- Not documenting in the Audit Strategy and Audit Plan the nature and extent of reliance on the work of the Internal Audit function (*Para 36 and 37*).



Audit Conclusions and Reporting (SA 700, 705, 706, 710 and 720)

Forming an Opinion and Reporting on Financial Statements (SA 700)

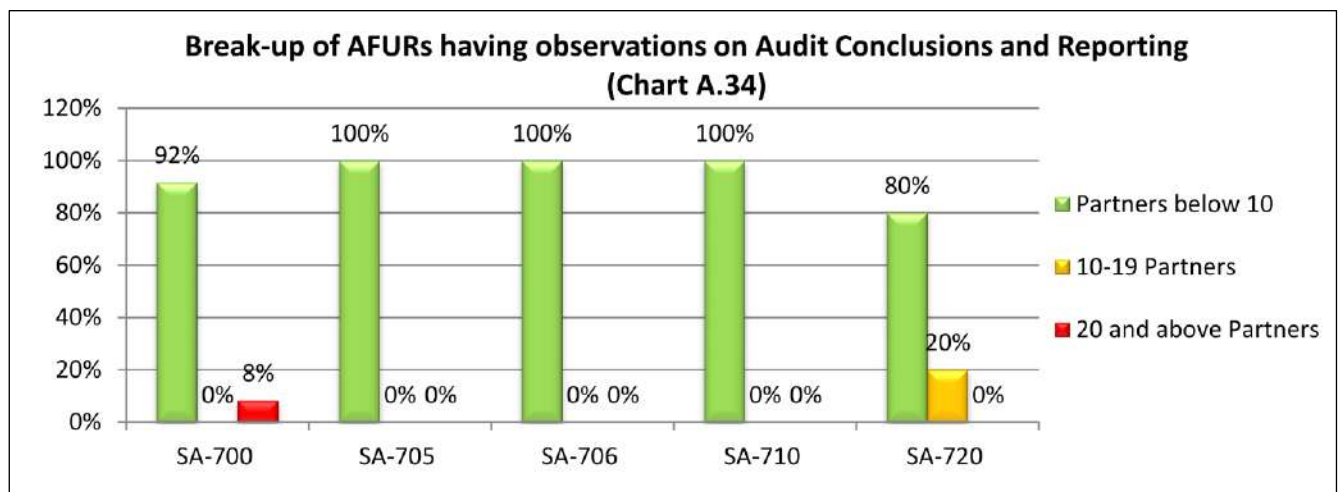
- Not reporting in respect of the branches not visited and on the matters as specified under Para e & h of Section 143 (3) of the Companies Act, 2013 under "Report on Other Legal and Regulatory Requirements" in the Auditor's Report (*Para 43 and Para A54*).
- Not making reference of returns received from branches not visited in the Auditor's Report on Other Legal and Regulatory requirements (*Para 43, Para A54 and Section 143 (3) of the Companies Act, 2013*).



- Certain deficiencies in the overall presentation of the financial statements (*Para 14(a)*).
- The section of the Independent Auditor's Report describing Management's responsibility for preparing the financial statements was not in accordance with the applicable financial reporting framework as it also indicated true and fair view for 'other comprehensive income' and 'changes in equity' which were not applicable in respect of the company (*Para 34*).
- Report on Other Legal and Regulatory Requirements also included the words, 'Statement of Changes in Equity' for reporting whether the company's balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns as required by Section 143(3)(d) of the Companies Act, 2013 though the 'Statement of Changes in Equity' was not required to be prepared in respect of the company (*Para 43*).
- The Independent Auditor's Report was signed by a Partner other than the Engagement Partner where the Audit Firm was appointed as the auditor (*Para 46*).
- The auditor's report did not include the registration number of the firm as allotted by ICAI (*Para 46*).
- Not incorporating fully Para of the "Information Other than the Financial Statements and Auditor's Report Thereon" as specified in SA 720 (Revised) in the audit report on standalone financial statements.
- Wrongly including paragraph for key audit matters in the Auditor's Report without having any such matter to report.
- UDIN was not stated in the main Independent Auditor's Report instead it was stated in Annexure.
- UDIN generated by the auditor related to Tax Audit Report u/s 44AB of the Income Tax Act, 1961 and it did not relate to Statutory audit of standalone financial statements.
- In Independent Auditor's Report on Consolidated Financial Statements there was no mention with regard to materiality description.

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

- Not documenting the conclusion that, based on the audit evidence obtained, the financial statements as a whole are free from material misstatement (*Para 6*).



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

- Emphasis of Matter is given on a matter in the Independent Auditor's Report on Consolidated Financial Statements without relevant matter being fully described in the consolidated financial statements. Also, the auditor had not indicated whether his opinion was modified in respect of the matter emphasized (*Para 9 b & c*).
- Not documenting the reason for not giving EOM for the other transactions with the Director/relatives (as appearing and included in the related party transactions) instead of for only one transaction.

Comparative Information – Corresponding Figures and Comparative Financial Statements (SA 710)

- Not stating in Other Matter paragraph in the auditor's report in a case where the financial statements of the prior period were audited by a predecessor auditor and the auditor is permitted by law or regulation to refer to the predecessor auditor's report on the corresponding figures and decides to do so:
 - That the financial statements of the prior period were audited by the predecessor auditor;
 - The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
 - The date of that report (*Para 13*)

The Auditor's Responsibilities Relating to Other Information (SA 720)

- Not reading and not keeping documentation in compliance of the requirements of SA 720 that auditor has read the other information to identify material inconsistencies, if any, with the audited financial statements (*Para 6, A2*).
- Not including in the auditor's report a separate section with a heading "Other Information" when, at the date of the auditor's report, for an audit of financial statements of an unlisted corporate entity, the auditor has obtained some or all of the other information (*Para 21*).

ii) Accounting Standards

The following major observations in respect of Accounting Standards (AS) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

Disclosure of Accounting Policies (AS 1)

- Not disclosing the accounting policy for the following being significant accounting policies adopted in the preparation and presentation of financial statements:-
 - Basis for Preparation
 - Revenue recognition
 - Revenue recognition of chit accounting
 - Interest earned, dividend and revenue from wind mills
 - Other income for income from Lorries
 - Property Plant and Equipment
 - Impairment of Assets
 - Investments
 - Borrowing Costs
 - Leases
 - Use of estimates
 - Cash flow statement
 - Provisions and Contingent liabilities (*Para 24 & 25*).
- Disclosure of accounting policies adopted in the preparation of financial statements made reference to a wrong section of the Companies Act, 2013 in respect of accounting standards prescribed u/s 133 of the Companies Act, 2013.
- Accounting policies mentioned were not complete and in accordance with the requirements of the concerned standards (*Para 24*).

Valuation of Inventories (AS 2)

- Valuing inventories at lower of cost and market value instead of at lower of cost and net realizable value (*Para 5*).
- Valuing certain inventories at reasonable price as certified by the management instead of at lower of cost and net realizable value (*Para 5*).
- Not disclosing separately in its accounting policies in respect of valuation of Inventory that customs duty is included in the cost of inventory (*Para 6*).

Cash Flow Statements (AS 3)

- Including fixed deposits under cash and cash equivalents (*Para 5.2 and 6*).
- Wrong amount was stated for purchase of fixed assets disclosed as cash flows from investing activities in the cash flow statement (*Para 15*).

- Capital subsidy received was wrongly shown as Cash flows from Operating activities instead of as Cash flows from financing activities (*Para 17*).
- Not separately disclosing cash repayment of loan as cash flows from financing activities in the cash flow statement (*Para 17c*).
- The increase/decrease in long term loans and advances have been wrongly shown under adjustment for working capital changes instead of as Cash flows from Financing activities (*Para 21*).
- Movement in long term borrowings and short term borrowings were reported on net basis in Cash Flow Statement instead of on gross basis (*Para 21*).
- Not disclosing the components of cash and cash equivalent in cash flow statement (*Para 42*).

Revenue Recognition (AS 9)

- Adopting accounting policy for recognizing revenue without transfer of significant risks and rewards of ownership to the buyer (*Para 6.1*).
- Recognizing revenue from export sale of products when goods are handed over to the shipper instead of on the basis of transferring to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods (*Para 11*).

Property, Plant and Equipment (AS 10)

- Stating accounting policy for fixed assets instead of for Property, Plant & Equipment.
- Accounting policy for Property, Plant and Equipment not in line with the requirements of Para 7 & 10 of AS 10.
- Not disclosing the depreciation method used for each class of property, plant and equipment (*Para 81b*).

The Effects of Changes in Foreign Exchange Rates (AS 11)

- Charging the entire amount of premium/discount charges arising at the inception of the forward exchange contract to the Statement of Profit & Loss instead of amortising it over the period of the contract (*Para 36*).
- Not disclosing the amount of exchange differences included in the net profit or loss for the period; and net exchange differences accumulated in foreign currency translation reserve as a separate component of shareholders' funds, and a reconciliation of the amount of such exchange differences at the beginning and end of the period (*Para 40*).
- Not stating in the significant accounting policy for foreign exchange transactions, the treatment of gain/loss on foreign exchange transactions in the Statement on Profit & Loss (*Para 40a*).

Accounting for Investments (AS 13)

- Not disclosing the accounting policy and not valuing the shares, bonds and Govt. securities held as stock in trade on the same lines as current investments (*Footnote 2 to Para 1*).
- Not disclosing accounting policy for determination of carrying amount of current investments (*Para 25a*).

Employee Benefits (AS 15)

- Not accounting defined benefit plan for gratuity on actuarial basis (*Para 51a*).
- Not making provision for gratuity (*Para 53*).
- Not disclosing the information required by Para 119 and 120 for defined benefit plan in the financial statements.

Segment Reporting (AS 17)

- Not making disclosures for segment reporting (*Para 40*).

Earnings Per Share (AS 20)

- Not presenting basic and diluted earnings per share on the face of the Statement of Profit and Loss (*Para 8*).
- Significant accounting policy on diluted earnings per share did not state that the weighted average number of shares outstanding during the period should be adjusted for the effects of all dilutive potential equity shares (*Para 26*).
- Not making disclosures as required with respect to earnings per share (*Para 48*).

Consolidated Financial Statements (AS 21)

- Not disclosing the information required by Para 29 in the consolidated financial statements.

Accounting for Taxes on Income (AS 22)

- Not accounting for the deferred tax in the determination of the net profit or loss for the period (*Para 9*).
- Not measuring deferred tax using the tax rates that have been enacted by the balance sheet date (*Para 21*).
- Not disclosing the break-up of deferred tax assets and deferred tax liabilities into major components of the respective balances (*Para 31*).

Provisions, Contingent Liabilities and Contingent Assets (AS 29)

- Not disclosing contingent liabilities (*Para 68*).

Indian Accounting Standards (Ind AS)

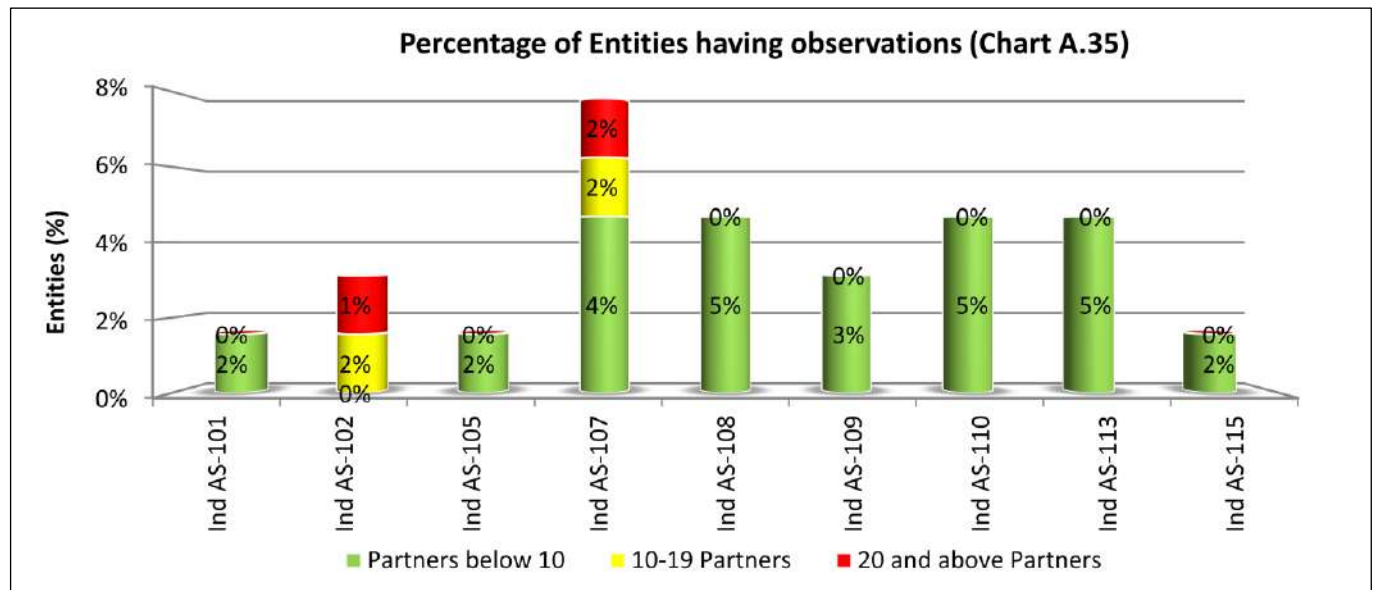
The following major observations in respect of Indian Accounting Standards (Ind AS) were noticed in the Audit files reviewed in respect of audits of 64 private limited companies:-

First-time Adoption of Indian Accounting Standards (Ind AS 101)

- Not properly disclosing the transition effects from the previous GAAP to Ind AS in the financial statements (*Para 23*).

Share-based Payment (Ind AS 102)

- Not disclosing the weighted average remaining contractual life in respect of the share options outstanding at the end of the period (*Para 45*).
- Not disclosing for share options granted during the period (a) Option Pricing Model; (b) Expected Volatility (c) Risk Free Interest Rate; (d) How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility (*Para 47*).



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

- Not making following disclosures for the non-current assets classified as held for sale: (a) a description of the non-current asset (or disposal group); (b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal; (c) the gain or loss recognised in accordance with paragraphs 105.20–105.22 and, if not separately presented in the statement of profit and loss, the caption in the statement of profit and loss that includes that gain or loss; (d) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with Ind AS 108, Operating Segments (*Para 41*).

Financial Instruments: Disclosures (Ind AS 107)

- Not making category-wise classification of the certain classes of financial liabilities by classifying them as 'measured at fair value through profit or loss, or 'measured at amortised cost' (*Para 8*).
- Not disclosing items of income, expense, gains or losses either in the Statement of Profit and Loss or in the notes to the Financial Statements by classifying them as financial assets/financial liabilities measured at 'Amortised Cost', 'FVOCI' (Fair value through Other Comprehensive Income) or 'FVTPL' (Fair value through Profit and Loss) (*Para 20*).
- Not disclosing the nature of financial assets on which interest income was earned for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income (*Para 20b*).
- Not disclosing the fair values of financial assets and financial liabilities along with comparison with their carrying amounts (*Para 25*).
- Not disclosing the risk management policy for various financial assets and liabilities governing Credit, Market and Liquidity Risks, to the extent applicable (*Para 31 & 32*).
- Not providing information about the significant credit risk concentration in the credit risk disclosures (*Para 35B(c)*).
- Not disclosing the maturity analysis of its non-derivative financial liabilities (*Para 39*).
- Not disclosing sensitivity analysis for each type of market risk to which the company is exposed, such as currency risk, interest rate risk and other price risk (*Para 40*).

Operating Segments (Ind AS 108)

- Not making disclosure in respect of Segment reporting as required by IND AS 108, nor has disclosed the accounting policy of Operating Segments in the summary of significant accounting policies (*Para 20 to 22*).
- Not disclosing the factors used to determine the company's reportable segments, including the basis of organisation in relation to disclosure provided by the company and judgement made by management in applying the aggregation criteria (*Para 22*).
- Not disclosing information about geographical areas (*Para 33*).

Financial Instruments (Ind AS 109)

- Valuing investments in subsidiaries and partnership firms at amortised cost method even though conditions specified at Para 4.1.2 were not met.
- Unsecured loan received from a Director being a financial liability was not recognized at its fair value at initial recognition and at subsequent measurement (*Para B 5.1.1 of Ind AS-109 and Para 37 & 38(c) (i) of Ind AS-113*).
- Not measuring at initial recognition and subsequent measurement of investment in equity instruments at FVTOCI and the gains and losses due to changes in fair value through OCI (*Para 5.7.5 and 5.7.10*).

Consolidated Financial Statements (Ind AS 110)

- Not preparing consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances (*Para 19*).
- Balance held in bank (of one of the subsidiary companies) was added with the Cash in hand while preparing the Consolidated Financial Statement (*Para 21 and B86(a)*).
- Not disclosing Other Comprehensive Income for the year attributable to the owners of the Company and non-controlling interest on the face of the Statement of Profit and Loss in consolidated financial statements (*Para B94*).

Fair Value Measurement (Ind AS 113)

- Not disclosing:-
 - for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements.
 - for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period (*Para 91*).
- Not making necessary disclosures regarding the fair value of investments in equity instruments (*Para 91(a) & (b)*).

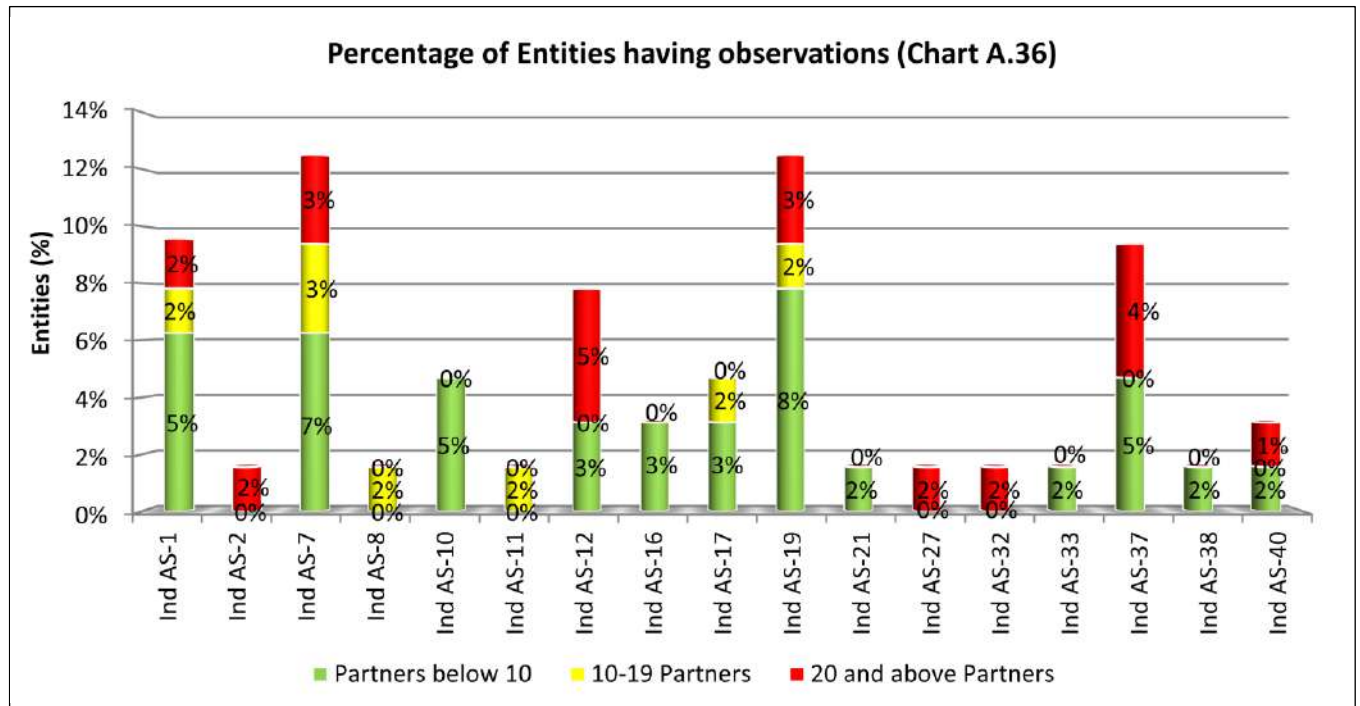
Revenue from Contracts with Customers (Ind AS 115)

- Not disclosing revenue recognised during the year out of the opening contract liability (*Para 116*).
- Not disclosing obligations for returns, refunds and other similar obligations and types of warranties and related obligations (*Para 119*).
- Not preparing and disclosing a reconciliation between the amount of revenue recognised in the Statement of Profit and Loss with the contracted price showing separately each of the adjustments made to the contracted price on account of discounts, rebates, refunds, exchange rate fluctuations etc. (*Para 126AA*).

Presentation of Financial Statements (Ind AS 1)

- Not providing deferred tax impact for gain on account of decrease for re-measurement benefit (*Para 90*).
- Not disclosing in the summary of significant accounting policies the accounting policy for recognition of income from sale of spares, other income for income from corporate services, income from leases and for accounting for ESOPs (*Para 117*).
- Wrongly disclosing in the summary of significant accounting policies that depreciation on fixed assets has been provided on written down value method although depreciation on Property, Plant & Equipment was provided on straight line method (*Para 117*).
- Not disclosing the policy for Cash and Cash Equivalents in the summary of its significant accounting policies (*Para 117*).

- Not disclosing in the summary of significant accounting policies the measurement bases of cost in respect of intangible assets (*Para 117(a)*).
- Not disclosing the capital management policy in the financial statements (*Para 134*).
- Not disclosing the company's objectives, policies and processes for managing capital (*Para 134, 135*).
- Not disclosing in the standalone financial statements the domicile and legal form of the company, the country of incorporation, its Registered Office, description of the nature of operations and its principal activities (*Para 138*).



Inventories (Ind AS 2)

- Accounting policies adopted in measuring inventories did not include the cost formula used (*Para 36*).

Statement of Cash Flows (Ind AS 7)

- WDV of Property, Plant and Equipment was shown as Proceeds from Sale of Assets instead of actual cash proceeds received under cash flows from investing activities (*Para 16*).
- Adjustment for capital advance and capital liabilities not made for disclosing payment for purchase of Property, Plant and Equipment (*Para 16*).
- Increase / decrease in borrowings has been shown without taking into effect the adjustment for the current maturities of Long-Term Debts (*Para 17*).
- While using indirect method, the net cash flow from operating activities was determined by adjusting profit or loss for the movement from the previous year in the foreign exchange difference

instead of adjusting profit or loss for non-cash items such as unrealised foreign currency gains and losses (*Para 20b*).

- In the cash flow statement, under indirect method, the profit after tax was taken.
- Not separately disclosing investment / release of funds from fixed deposits (other than cash and cash equivalents) under cash flows from investing activities (*Para 21*).
- Showing the proceeds from sale of investments as payment for purchase of investments under cash flows from investing activities in the cash flow statement (*Para 21*).
- Increase / decrease in investments has been shown under “Cash Flow from Financing Activities” instead of “Cash Flow from Investing Activities”.
- Not presenting separately the unrealised gains and losses arising from changes in foreign currency exchange rates on cash and cash equivalents held or due in foreign currency (*Para 28*).
- Interest received including accrued interest was shown as interest received under cash flow from investing activities instead of the actual interest received (*Para 31*).
- Finance cost including interest payable was shown under cash flow from financing activities instead of actual interest paid (*Para 31*).
- Non-cash adjustments under financing activities were shown as repayment of long term borrowings and infusion of short term borrowings (*Para 43*).
- Not providing disclosures enabling users of financial statements to evaluate changes in liabilities (for both current and non-current borrowings) arising from financing activities, including both changes arising from cash flows and non-cash flows changes (*Para 44A to 44E*).
- Not disclosing the components of cash and cash equivalents (*Para 45*).
- Not disclosing the policy adopted in determining the composition of cash and cash equivalents (*Para 46*).
- Not disclosing the amount of significant cash and cash equivalent balances held by the entity that are not available for use (*Para 48*).

Accounting Policies, Changes in Accounting Estimates and Errors (Ind AS 8)

- Not disclosing accounting policy for sale of services.

Events after the Reporting Period (Ind AS 10)

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

Construction Contracts (Ind AS 11)

- Not making disclosures, as required as per Para 40.

Income Taxes (Ind AS 12)

- Not measuring deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that

have been enacted or substantively enacted by the end of the reporting period as wrong rate of cess was applied for calculating deferred tax and wrong rate of depreciation on computers as per Income Tax Act, 1961 was used (*Para 47*).

- Not measuring the deferred tax assets created in earlier years at the tax rates that are expected to apply to the period when the asset is realised based on tax rates (including surcharge) that have been enacted by the end of the reporting period (*Para 47*).
- Not reviewing the carrying amount of the deferred tax asset at the end of the reporting period and not reducing the carrying amount of the deferred tax asset to the extent that it was no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized (*Para 56*).
- Not recognizing the deferred tax related to items that are recognised outside profit or loss in other comprehensive income (*Para 61A*).
- Balance of Advance Tax was not netted off against the Current Tax Liabilities (*Para 71(a) & (b)*).
- Not disclosing the explanation of the relationship between the tax expense and the accounting profit as also the impact of changes due to reduction / change in the tax rates (*Para 81(c) & (d)*).
- Not disclosing separately the amount (and expiry date, if any) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized in the balance sheet (*Para 81e*).
- Not disclosing the details of components of each type of temporary difference together with the movement thereof through Statement of profit and loss and OCI (*Para 81(g)*).

Property, Plant and Equipment (Ind AS 16)

- Specifying in the summary of significant accounting policy for depreciation the policy for certain leased furniture, fittings and equipment's though company did not have any such leased assets (*Para 73*).
- Not making cross reference against Land and Building of a note indicating that the cash credit facilities are secured by mortgage of immovable property (*Para 74(a)*).

Leases (Ind AS 17)¹

- Not disclosing the basis of classification of finance leases (*Para 8*).
- Not disclosing the accounting policy for initial recognition of finance lease assets and liabilities at the lower of fair value or present value of minimum lease payments etc. (*Para 20*).
- Not disclosing the accounting policy for subsequent measurement of minimum lease payments to be apportioned between finance charge and reduction of the outstanding liability etc. (*Para 25*).
- Not disclosing the carrying amount of each class of assets under Finance Lease and a general description of the significant leasing arrangements and other related disclosures (*Para 31(a) & (e)*).

¹ Ind AS 116 Leases is applicable for annual reporting periods beginning on or after 1st April, 2019. These relate to the period prior to that.

- From the disclosures pertaining to Operating Leases, it is not clear whether they are cancellable or non-cancellable since the disclosure is to be given only for non cancellable leases (*Para 35(a)*).
- Not making disclosures as required under Para 35 (c & d).
- Not making a general disclosure of the significant leasing arrangements and other related disclosures (*Para 35(d)*).

Employee Benefits (Ind AS 19)

- Not making disclosures as required under Para 54 and 147.
- Not determining the gratuity liability for defined benefit plan as per actuarial valuation method (*Para 66*).
- Not recognizing the actuarial gains/losses for net defined benefit liability (asset) in the other comprehensive income (*Para 120, 127a*).
- Not making disclosures for defined benefit plans in terms of Para 139-145 for other post employment benefits such as leave encashment.
- Not providing description of the risks (such as investment risk, interest rate risk, longevity risk, etc.) to which the plan exposes the Company for its defined benefit plans (*Para 139*).
- Not giving required disclosures in notes to accounts towards its “Defined Benefit Plan – Provident Fund” (*Para 140, 141, 142, 145, 147*).
- Not making disclosures as required under Para 145 & 147.
- Not disclosing the expected contributions to the plan for the next annual reporting period to provide an indication of the effect of the defined benefit plan on the entity’s future cash flows (*Para 147*).
- Not disclosing: (a) description of any funding arrangements and funding policy that affect future contributions; (b) the expected contributions to the plan for the next annual reporting period; and (c) information about the maturity profile of the defined benefit obligation (*Para 147*).
- Not disclosing the range of significant actuarial assumptions used as also the sensitivity analysis of the various actuarial assumptions relating to employee benefits (*Para 144 and 145(a) & (b)*).

The Effects of Changes in Foreign Exchange Rates (Ind AS 21)

- Not showing the tax effect on foreign currency translation reserve in other comprehensive income (*Para 50*).

Separate Financial Statements (Ind AS 27)

- Not disclosing in the accounting policy that investments in associates and joint ventures were valued at cost (*Para 10a*).

Financial Instruments: Presentation (Ind AS 32)

- Classifying payables to related parties and interest accrued but not due on loans being contractual obligations under 'Other current liabilities' as non-financial liabilities instead of as financial liabilities (*Para 11*).

Earnings per Share (Ind AS 33)

- Not disclosing the policy for diluted earnings per share.
- Not making disclosures as required under Para 70.

Provisions, Contingent Liabilities and Contingent Assets (Ind AS 37)

- Not providing for the Auditor's remuneration and Tax Auditor's remuneration for the year under audit (*Para 14*).
- Not disclosing for certain class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability (*Para 86*).
- Not disclosing an estimate of the financial effect, any uncertainties relating to amount or timing of any outflow and possibility of any reimbursement for its Contingent Liabilities. Further, if the above disclosure was not possible, the fact is not disclosed that it is not practicable to disclose the information as above (*Para 86*).
- Accounting policy for contingent assets not in line with the requirements of Para 89.

Intangible Assets (Ind AS 38)

- Not disclosing the initial measurement basis of cost (*Para 24*).

Investment Property (Ind AS 40)

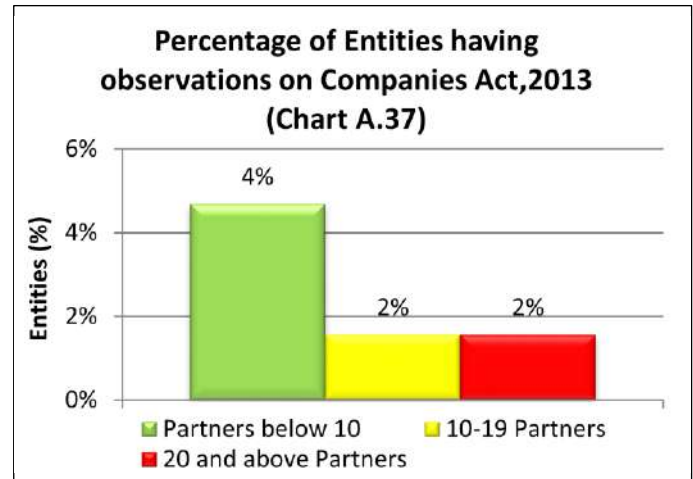
- Not disclosing the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business (*Para 75c*).
- Not providing depreciation on investment property (*Para 79*).

iii) 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 audits of 64 private limited companies:-

Companies Act, 2013

- Not disclosing the fact that internal auditor is not appointed by the company though required to be appointed (Sec. 138).
- Not disclosing full particulars of the loan including the purpose for which the loan is proposed to be utilized by the recipient of the loan (Sec. 186(4)).
- Not disclosing the purpose for which the guarantee was to be utilized in respect of a guarantee issued in favour of a Bank for the loan taken by a related party (Sec. 186(4)).



Companies (Audit and Auditors) Rules, 2014

- Disclosing that there was no delay in transferring amount required to be transferred to the Investor Education and Protection Fund (IEPF) by the Company though there was no amount required to be transferred to IEPF as no dividend was declared (Rule 11c).

Schedule II of Companies Act, 2013

- Not adopting useful lives of Buildings other than Factory Buildings, Roads and Servers as specified in Part C of Schedule II of Companies Act, 2013 and also not disclosed the difference and not provided justification duly supported by technical advice (Part A, Para 3).

Schedule III of Companies Act, 2013 (Div. I & II)/ Guidance Note on Div.I – Non Ind AS Schedule III of Companies Act, 2013/ Guidance Note on Div. II Ind AS Schedule III to the Companies Act, 2013

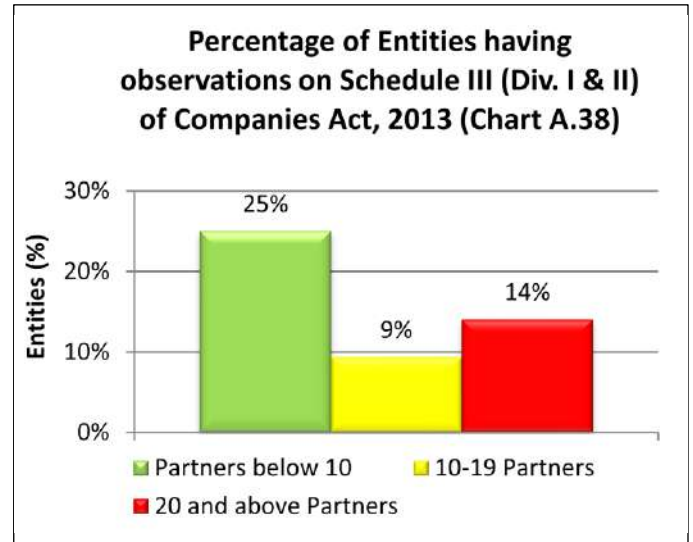
Division I – Non Ind AS

General Instructions

- Earnings per share disclosed on the face of Statement of Profit and Loss was not cross referenced to notes of the financial statements (Para 3(ii)).
- Not showing the corresponding amounts for the immediately preceding reporting period for some items shown in the schedule on Property, Plant & Equipment in the Financial Statements (Para 5).
- Not providing the corresponding amounts for the immediately preceding reporting period for related party transactions in the Financial Statements (Para 5).

Part I

- Not keeping the title of the Balance Sheet and the Statement of Profit and Loss as specified (Part I & II).
- Showing Provision for tax as a negative figure under assets side instead of showing under Short term provisions (Note No. 3(c) and 6H).
- Not disclosing in the notes to accounts the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital (Note No. 6A(e)).
- Not disclosing in the notes to accounts shares in the company held by each shareholder holding more than 5 per cent shares specifying the number of shares held (Note No. 6A(g)).
- Not making security wise sub classification of Long term borrowings (Note No. 6C(ii)).
- Not stating in the notes to accounts the terms of repayment of term loans and other loans (Note No. 6C(vi)).
- Not disclosing the terms of repayment of long term loans in the financial statements (Note No. 6C(vi)).
- Not disclosing on the face of the balance sheet the total outstanding dues of micro enterprises and small enterprises under trade payables as required under Sec. 22 of Micro, Small and Medium Enterprises Development Act, 2006 (Note No. 6D / Para 8.4.2/8.4.3 of Guidance Note on Schedule III).
- Not re-grouping the disclosures required to be made under MSMED Act for Trade Payables relating to prior period (Note No. 6D of Part I of Schedule III / Para 8.4.3 of Guidance Note).
- Not using the correct nomenclature for further bifurcating the trade payables as outstanding dues of micro enterprises and small enterprises and dues of creditors other than those.
- Not disclosing current maturity of long term borrowings for car loan under other current liabilities (Note No. 6G(a)).
- Wrongly using the term Fixed Assets instead of Property, Plant and Equipment (Note No. 6I).
- Not using the correct nomenclature for classifying under Property, Plant and Equipment in the Balance Sheet.
- In the Notes to accounts, the title “Details of Consolidated Block Asset” was not as per Schedule III in view of the fact that it is a standalone financial statement.
- Not disclosing the names of partners, total capital of firm and shares of each partner for investments in capital of partnership firms in the notes to financial statements (Note No. 6K(i)/6N(i)).
- Not disclosing in respect of Non-current investments in the notes to financial statements (a) aggregate amount of quoted investments and market value thereof; (b) aggregate amount of



unquoted investments; (c) aggregate provision for diminution in value of investments (*Note No. 6K(iii)*).

- Not disclosing separately cash and cash equivalents (*Note No. 6Q(i)*).
- Not disclosing separately the bank deposits with more than 12 months maturity (*Note No. 6Q(v)*).
- Not showing separately bank deposits with more than three months maturity under the head “Other bank balances” (*Para 6.4 and 8.8.4 of Guidance Note*).
- Credit bank balance was netted off against cash and bank balances.
- Not classifying cash & bank balance and not specifying details of “Other Bank Balances” (*Para 6.4 of Guidance Note*).
- Not disclosing the contingent liabilities (*Note No. 6T(i)*).
- Directors Identification Number, date and place of signature is not mentioned in the Financial Statement.
- Cash flow statement was signed by only one director and not both.
- The financial statement captions whose amount was zero in the current year and preceding year were included in the financial statement.

Part II

- Not showing interest on income tax under finance cost and not bifurcating finance cost under different categories as required (*Note No. 3*).
- Not disclosing break-up of various heads of expenses included in the line item CSR Expenditure and other disclosures such as gross amount required to be spent and the amount spent during the year on CSR activities, details of related party transactions (*Para 10.13 of Guidance Note on Schedule III to the Companies Act, 2013 in terms of Note No. 5(i)(k) of Part II of Schedule III*).
- Not disclosing separately in the notes raw material under broad heads (*Note No. 5(ii)(a)(1)*).
- Not disclosing separately net gain or loss on foreign currency transactions in the financial statements (*Note No. 5(ii)(i)*).
- Not showing separately expenditure incurred on each of the items like: Consumption of stores and spare parts, Power and fuel, Rent, Repairs to buildings, Repairs to machinery and insurance (*Note No. 5(vi)*).
- Not disclosing the following information by way of a note in the Statement of Profit and Loss:-
 - Value of imports calculated on C.I.F basis by the company during the financial year in respect of raw materials, components and spare parts and capital goods;
 - Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;
 - Total value if 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;
 - Earnings in foreign exchange classified under the following heads, namely, Export of goods calculated on F.O.B. basis; Royalty, know-how, professional and consultation fees; Interest and dividend; Other income, indicating the nature thereof (*Note No. 5(viii)*).

- Profit on sale of scrap was wrongly shown as gain on sale of fixed assets in the Statement of Profit & Loss (*Para 9.1.8 of Guidance Note on Schedule III*).

Division II – Ind AS

General Instructions

- Heading used in the notes to the financial statements was different than the one used in the Balance Sheet (*Para 4*).
- Not cross-referencing the tax expense appearing on the face of the Statement of Profit and Loss to the notes (*Para 4(ii)*).
- Not rounding off the figures appearing in the financial statements to the nearest, lakhs, millions or crores, or decimals thereof even though turnover of the company was more than rupees one hundred crore (*Para 5*).
- While all the figures were reported in Crores but some figures were reported in absolute amounts at some places under notes to the financial statements (*Para 6.12 of the Guidance Note on Div.II Ind AS Schedule III*).
- Stating EPS in rupees without mentioning that it was in rupees as all the other amounts were rounded off to Rupees Million (*Para 5*).
- Not providing corresponding amounts (comparatives) for the immediately preceding reporting period in respect of proportion of ownership interest in the case of joint ventures, proportion of shareholding/share of profit/(loss) in the case of subsidiaries in the notes to the financial statement sand Gratuity Pay-outs expected in future years (*Para 6*).
- Not specifying the balance sheet as Standalone Balance Sheet.

Balance Sheet

Non-Current Assets

- Disclosed Deferred Tax Assets instead of Deferred Tax Assets (Net) under Non-Current Assets in the Balance Sheet (*Part I*).
- Using wrong nomenclature for classification of some of the items of Property, Plant and Equipment under Non-Current Assets (*Note No. 6A*).
- Showing Non-Current investments in bonds as current investments (*Note No.6A (VI)(i)*).
- Disclosures not made under Non-Current Investments of the (a) Aggregate amount of quoted investment and market value thereof; (b) Aggregate amount of unquoted investment: and (c) Aggregate amount of impairment in value of investments (*Note No.6A (VI)(ii)*).
- Interest accrued on non-current fixed deposits was shown under current assets.

Current Assets

- Wrongly classifying the advance given to vendor being a current asset as a Non-current asset under security deposits in the Balance Sheet (*Note No. 1*).

- Investment in partnership firm was wrongly shown as investment in equity instrument (*Note No. 6B II*).
- Name of investment in mutual fund series was wrongly given (*Note No. 6B II (i)*).
- Not specifying the nature of:
 - 'Other Receivables' under 'Other Current Financial Assets'.
 - "Others" for current financial assets and other current assets in the notes to the financial statements (*Note No. 6B VI*).
- Fixed deposits with original maturity of more than 3 months – held as security was wrongly shown as non current financial asset instead of current financial asset (*Note No. 6C(b)*).
- Current Tax Assets (Net) was not shown as a separate line item (*Part I*).
- The disclosure regarding 'bank balances other than cash and cash equivalents' included deposits with 'remaining maturity' of more than three months but less than 12 months instead of 'original maturity' of more than three months but less than 12 months (*Para 8.1.16 of Guidance Note*).
- Used the terminology 'Work in process' instead of 'Work in progress' as further sub-classification of inventories under current assets in the Balance Sheet (*Part I*).

Equity

- Using the heading 'Shareholder's Funds' instead of 'Equity' for disclosing Equity share capital and other equity in the Balance Sheet (*Part I*).
- The number of preference shares in the Authorised share capital were not correctly mentioned (*Note No. 6DI(a) of Part I of Div.II Ind AS Schedule III / Para 8.2.1.11 of Guidance Note*).
- Not classifying the items such as 'Capital Reserve' and 'Retained Earnings' under the head 'Reserves and Surplus' in the Statement of Changes in Equity under Other Equity (*Part I*).
- Not showing each reserve under 'Other Reserves' separately in notes to the financial statements (*Para 8.2.2.1(c) of the Guidance Note*).
- Using the words "Securities Premium" instead of "Securities Premium Reserve" in the Statement of Changes in Equity.

Non-Current Liabilities

- Not bifurcating the leave encashment liability into current and non-current (*Note No. 3 of General Instructions for Preparation of Balance Sheet*).
- Not showing employee benefit obligations under 'Provisions' under Non-Current Liabilities/Current Liabilities for non-current/current portions respectively (*Note No. 6E(III)/6F(IV)*).
- Not disclosing the repayment terms such as amount of instalment due and applicable interest rate for the term loans under Non-current Borrowings (*Note No. 6E(vi) of Part I of Div. II Ind AS Schedule III / Para 8.2.3.18 of the Guidance Note*).
- Not disclosing the interest rate applicable on all the long term as well as short-term borrowings (*Note No.6E(vi) of Part I of Div.II Ind AS Schedule III / Para 8.2.3.18 and Para 8.2.8 of Guidance Note*).
- Not specifying the nature of 'Others' under 'Other Financial Liabilities' (*Note No. 6F(II)(h))*).

- Deferred tax related to OCI being remeasurement of post retirement gratuity obligations was considered as tax expense under Current Tax instead of Deferred Tax.

Current Liabilities

- Not classifying the working capital loan obtained from Banks as loans repayable on demand from Banks under "Current Borrowings" in the balance sheet (*Note No. 6F1(i)(a) (I) of Part I of Div.II Ind AS Schedule III / Para 8.2.8 (i)(a) of Guidance Note*).
- Disclosing current borrowings under sub-head loans repayable on demand from banks instead of from other parties (*Note No. 6F1(i)(a)(II)*).
- Showing Credit balance as Deferred Tax Assets (Net) rather than as Current Tax Liabilities (Net) (*Part I*).
- Current maturities of long term loans were shown under other current liabilities instead of under current other financial liabilities (*Note No. 6F II*).
- Contributions to a designated fund towards Provident Fund as a defined benefit plan were shown as non-current liability instead of as current liability though paid within 12 months of the balance sheet date (*Para 7.9c of the Guidance Note*).
- Overdraft bank balance was not shown under Borrowings rather was deducted from balance with banks (*Para 8.1.16 of Guidance Note on Div. II Ind AS Schedule III*).
- Current year Provision of Income Tax has been netted off with the refund of income tax receivable for earlier years (*Part I of Div.II Ind AS Schedule III / Para 8.1.18 of Guidance Note*).
- Not showing on the face of the balance sheet the outstanding dues to micro enterprises and small enterprises and outstanding dues of creditors other than micro enterprises and small enterprises (*MCA notification dated October 11, 2018*).
- Not disclosing under Contingent Liabilities and Commitments the uncalled liability on shares and other investments partly paid (*Note No. 6H(ii)(b)*).

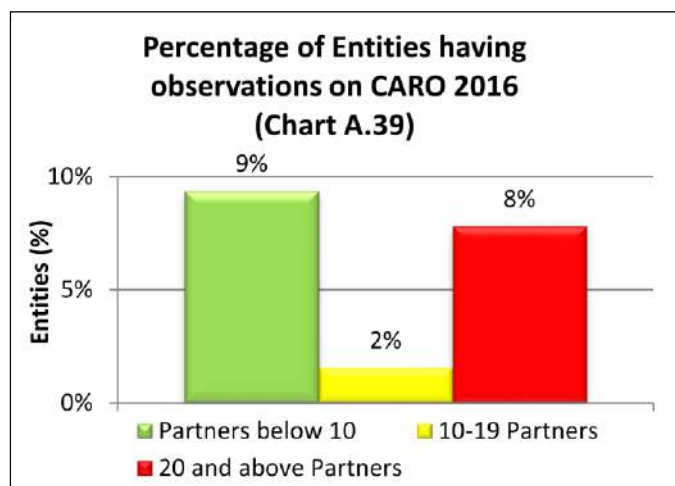
Statement of Profit & Loss

- Not showing net gain or loss on foreign currency transaction and translation (other than considered as finance cost) under other expenses rather these were wrongly shown under financial expenses (*Note No. 7(h) of Part II of Div.II Ind AS Schedule III / Para 11.3 of Guidance Note*).
- Disclosing "Losses on account of Foreign Currency Transaction and Translation other than finance cost" and "Loss on disposal of Property, Plant and Equipment" under the heading of "Other gains/ (losses) - net" included in the heading of "Total Income" instead of showing them separately under Other expenses (*Note No. 7(h) of Part II of Div.II Ind AS Schedule III / Para 11.3 of Guidance Note*).
- Disclosure for payment made to auditors was not made in the manner required (*Note No. 7(i)*).
- Not disclosing Earnings per Share (EPS) in the Statement of Profit & Loss (*Part II*).
- Not presenting revenue from operations at net of GST in the Statement of Profit & Loss (*Para 9.1.6 of Guidance Note on Div.II Ind AS Schedule III*).
- Used the term Profit on sale of fixed assets instead of using Profit on sale of Property, Plant and Equipment in the Statement of Profit & Loss.

- Not disclosing separately dividend income and profit on sale of investments under other income in the Statement of profit & Loss (*Part II of Div.II Ind AS Schedule III*).
- Making charges charged from customers as part of revenue from operations were shown as deduction from direct expenses instead of showing them separately as revenue from operations (*Part II of Div.II Ind AS Schedule III / Para 9.1 of Guidance Note on Div.II Ind AS Schedule III*).
- Using nomenclature 'Operational & Other Expenses' instead of 'Other Expenses' on the face of Statement of Profit & Loss (*Part II*).
- Netting off FCNR loan interest paid to Bank with the interest received on FCNR loan given to the subsidiary company (*Para II*).
- Not classifying interest income from related party under Interest income as part of Other income but was rather clubbed under miscellaneous income (*Para 9.2 of Guidance Note on Div. II Ind AS Schedule III*).
- Not providing in the notes to accounts relating to CSR expenditure the following details: (1) Gross amount required to be spent by the company during the year (2) Amount spent during the year on: (i) Construction/acquisition of any asset (ii) On purposes other than (i) (*Para 11.5(b) of the Guidance Note on Div.II Ind AS Schedule III*).
- Not disclosing the amount of expenditure incurred on CSR activities during the year in the notes to the Cash Flow Statement (*Para 11.5(b) of the Guidance Note on Div.II Ind AS Schedule III*).
- Not disclosing diluted EPS on the face of the Statement of Profit & Loss (*Clause XVI of Part II*).

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

- Not reporting on the basis of audit procedure carried out in accordance with Para 34 of the Guidance Note on CARO, 2016 while reporting on Para 3(i)(a) of CARO, 2016 but reported 'on the basis of available information'.
- Not carrying out sufficient necessary audit procedures to comment upon whether fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed and if so, whether the same have been properly dealt with in the books of account.



The auditor did not satisfy itself that such verification was done by examining the instructions issued to the staff by the management and examining the working papers of the staff to substantiate the fact that verification was done giving the name and competence of the person making the verification (*Para 3 (i)(b) of CARO, 2016/ Para 35 of Guidance Note on CARO, 2016*).

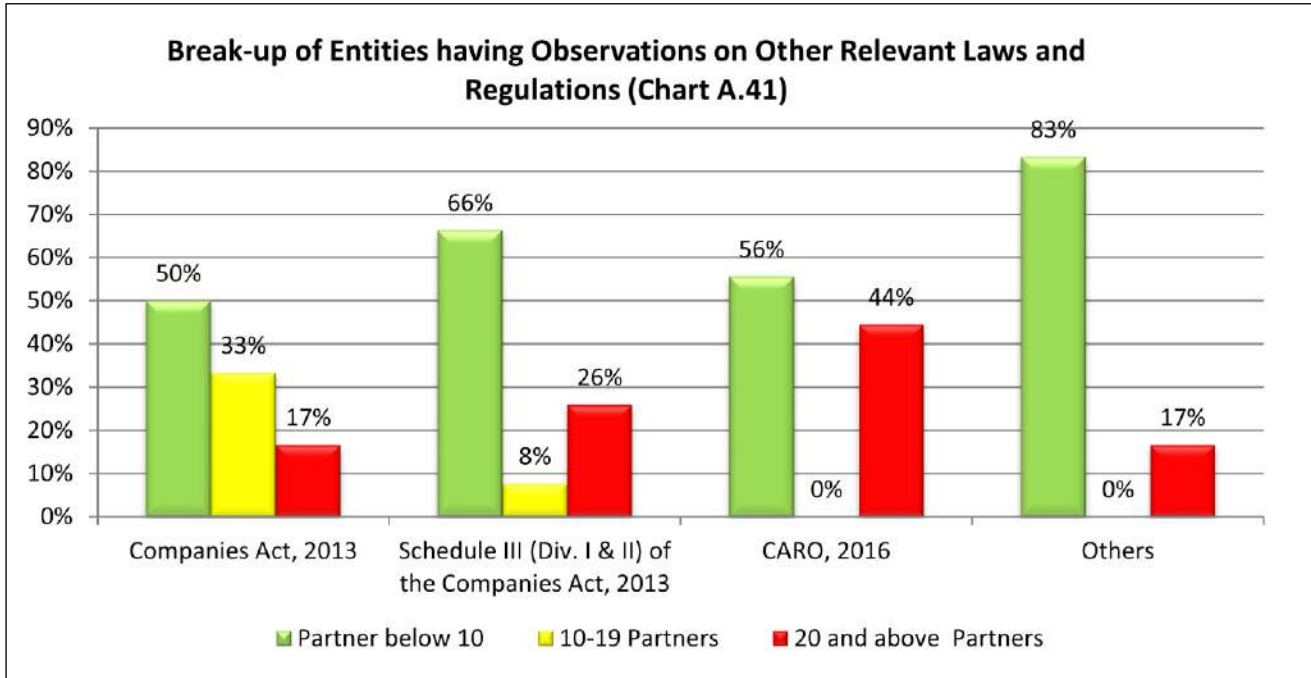
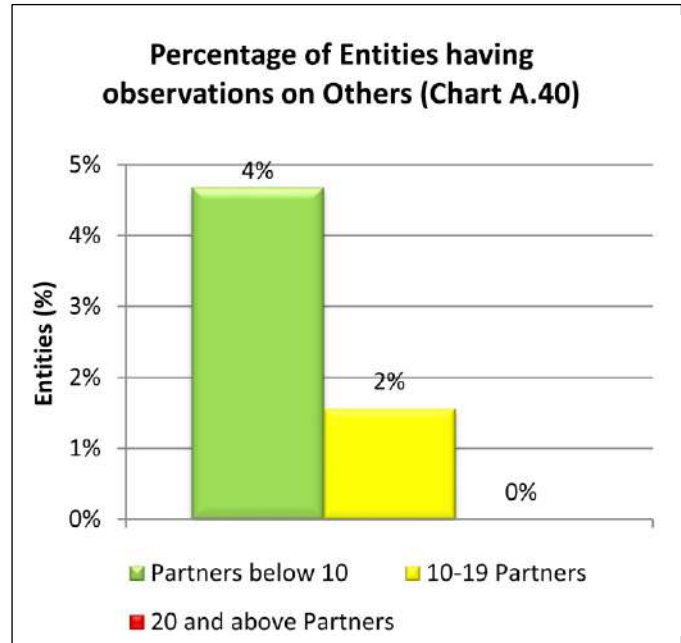
- As the auditor was not present when verification of fixed assets was made, not examining the instructions issued to the staff (which should, therefore, be in writing) by the management and not examining the working papers of the staff to substantiate the fact that verification was done and to

determine the name and competence of the person who did the verification (*Para 3 (i)(b) of CARO, 2016/ Para 35 of Guidance Note on CARO, 2016*).

- Reported on whether title deeds of freehold land and buildings were held in the name of the company instead of for all immovable properties (*Para 3(i)(c)*).
- Not commenting on whether any discrepancy was noticed by the management while conducting physical verification of inventory and if so, how it has been dealt with in the books of account (*Para 3 (ii)*).
- For commenting that provisions of Sec. 185 and 186 of the Companies Act, 2013 have been complied with though not applicable (*Para 3 (iv)*).
- Not disclosing the name of the statute, period to which the amount related, due date and the date of payment while reporting on the arrears of undisputed statutory dues outstanding for more than six months from the date they became payable (*Para 3 (vii) (a) of CARO, 2016/ Para 42(q) of the Guidance Note*).
- Used the term as 'generally regular' while reporting whether the company is regular in depositing undisputed statutory dues with the appropriate authorities (*Para 3 (vii)(a) of CARO, 2016/ Para 42 of Guidance Note on CARO, 2016*).
- Not commenting in respect of dues not deposited on account of any dispute (*Para 3 (vii) (b)*).
- Not mentioning complete names of the statutes while reporting under para 3(vii)(b).
- Reporting wrong forums where the disputes are pending while reporting under para 3 (vii)(b) of CARO, 2016.
- Not disclosing the period to which the amount related while reporting on the dues not deposited on account of any dispute under para 3(vii) (b) of CARO, 2016 (*Clause (f) of Para 43 of the Guidance Note*).
- Not reporting the fact of deposit of disputed dues having been made under protest in his report under para 3 (vii)(b) (*Para 43(g) of the Guidance Note*).
- Not reducing the amount already paid while reporting the dues of duty of excise not deposited on account of any dispute (*Para 3 (vii)(b) of CARO, 2016/ Para 43 of Guidance Note on CARO, 2016*).
- Reporting under Para 3(vii)(b) of CARO, 2016 was made as no dispute was pending on the part of the company while contingent liability was disclosed in the financial statements for a sum pending under appeal before ITAT.
- In Annexure B to Independent Auditors' Report on financial statements, the auditor commented that the Company has not defaulted in repayment of loans or borrowings to any financial institution or Bank or Government or dues to debenture holders as at the balance sheet date even though the Company did not have any loans or borrowings from any financial institution or Government or dues to debenture holders (*Para 3(viii)*).
- Not reporting with respect to whether any fraud "by the company" has been noticed or reported during the year (*Para 3(x)*).

Others

- Not obtaining written representation from the management in an audit of internal financial controls over financial reporting (*Para 150 of Guidance Note on Audit of Internal Financial Controls Over Financial Reporting*).
- Not keeping documentation for the testing of internal financial controls over financial reporting.
- Independence declaration form obtained from audit team member did not contain the clause for declaration of substantial interest of relatives/partners of engagement partner; nor the declaration for disclosure of directorship/employment in the auditee or its related parties (*Clause 4 of Part I of Second Schedule of the Chartered Accountants Act, 1949 read with Guidance Note on Independence of Auditor*).



Matters of General Guidance for Audit Firms

1. Standards on Auditing

a.	<p>Standard on Quality Control (SQC)-1</p>	<ul style="list-style-type: none"> • SQC policy should be designed in accordance with the requirements of SQC-1 covering all elements of the system of quality control. • Improve implementation and documentation for various elements of the system of quality control as per SQC-1. • At least annually, the firm should obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent. Maintain policy & procedure to notify breaches of independence requirements. • Establish policies and procedures for the acceptance and continuance of client relationships and specific engagements. • Establish policies and procedures ensuring sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements. • Maintain policies and procedures with regard to engagement performance, engagement documentation and archival process. • Provide eligibility and maintain objectivity of Engagement Quality Control Reviewer (EQCR). • Improve monitoring mechanism and take corrective action for any of the deficiency identified during inspection process and communicate to its partner. • Take guidance from Implementation Guide to SQC 1 issued by ICAI. https://resource.cdn.icai.org/20913frpubcd_aasb1.pdf
b.	<p>Planning, Risk Assessment and Response to Assessed Risks</p>	<ul style="list-style-type: none"> • Audit plan should be elaborate and cover the nature, timing and extent of planned risk assessment procedures as well as further audit procedures at the assertion level. • Overall audit strategy and audit plan should be separately documented. • Perform the audit with professional skepticism and exercise professional judgement in planning and performing the audit. • Include reference in the Audit Plan for any special audit considerations for risks due to fraud and related party transactions. • Obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates and how the entity is complying with that framework. • Determine and document materiality for the financial statements while establishing overall audit strategy. Also document the factors considered in determination of materiality.

		<ul style="list-style-type: none"> • Document the design and effectiveness of controls and performing appropriate test of controls to obtain sufficient appropriate audit evidence. • Test IT related controls, IT generated reports and have appropriate planned procedures including changes to IT systems and have appropriate IT personnel on engagement. • Design and implement the overall responses to address the assessed risks of material misstatement at the financial statement level. • Work papers for performing substantive testing should be cross referred to the underlying accounting records. • Take guidance from Checklist on Standards on Auditing issued by ICAI. https://resource.cdn.icai.org/74466aasb60406.pdf
c.	Audit Documentation	<ul style="list-style-type: none"> • Prepare audit documentation on a timely basis duly recording who performed and reviewed audit work and the date/s of completion and review. • Prepare audit documentation to understand: <ul style="list-style-type: none"> ○ Nature, timing and extent of audit procedures performed to comply with SAs and other applicable legal and regulatory requirements; ○ Results of audit procedures performed and audit evidence obtained; and ○ Significant matters arising during the audit, conclusions reached and significant professional judgments made. • Ensure all amounts as per the working papers are tied with the corresponding amounts in the financial statements. • Keep evidence of communication with management and Those Charged with Governance. • Document all misstatements accumulated during the audit and whether they have been corrected. • Comply with policies and procedures for assembly and archival of work papers within stipulated time. • Take guidance from Audit Working Paper Templates issued by ICAI. https://resource.cdn.icai.org/75000aasb60542a.pdf • Take guidance from Implementation Guide to Standard on Auditing (SA) 230, Audit Documentation issued by ICAI. https://resource.cdn.icai.org/72414aasb58321.pdf • Take guidance from Checklist on Standards on Auditing issued by ICAI. https://resource.cdn.icai.org/74466aasb60406.pdf
d.	Audit Evidence	<ul style="list-style-type: none"> • Design and perform audit procedures that are appropriate in the circumstances for obtaining sufficient appropriate audit evidence. • Obtain sufficient appropriate audit evidence regarding compliance with

		<p>the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.</p> <ul style="list-style-type: none"> • Maintain control over external confirmation requests while using external confirmation procedures. Determine that requests are properly addressed and contain return information for responses to be sent directly to the auditor. • If management refuses to allow auditor to seek confirmation requests, document reasons for management’s refusal as well as evaluating the implications of management’s refusal on the auditor’s assessment of the relevant risks of material misstatement. Also perform alternate audit procedures designed to obtain relevant and reliable audit evidence. • Select items for the sample in such a way that each sampling unit in the population has a chance of selection. • Document: <ul style="list-style-type: none"> ○ sampling method used; ○ population and sample size selected; ○ items for sample; ○ deviations observed on the samples vis a vis the population sample, its acceptable level and the need for revising the samples; ○ evaluation of the results of sampling. • Perform analytical procedures during planning stage, audit performance and when forming overall conclusion as to whether financial statements are consistent with auditor’s understanding of entity. • Test the completeness, accuracy and disclosure of related party transactions. • Do not be over-reliant on, or readily accept, the explanations and representations of the management without challenging matters such as key underlying assumptions or seek out evidence to corroborate estimates or treatments. • If written representations are inconsistent with other audit evidence, perform audit procedures to attempt to resolve the matter. If the matter remains unresolved, reconsider the assessment of the competence, integrity, ethical values or diligence of management, and determine the effect that this may have on the reliability of representations and audit evidence, in general. • The written representation obtained from the management should include the management’s responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud. • The date of the written representations shall be as near as practicable to, but not after, the date of the auditor’s report on the financial statements.
--	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

		<ul style="list-style-type: none"> • Evaluate adequacy of the work of the internal auditor. • Evaluate whether the expert has the necessary competence, capabilities and objectivity for the auditor's purposes and evaluate relevance and reasonableness of the assumptions made by the expert and completeness and accuracy of the source data. • Take guidance from Checklist on Standards on Auditing issued by ICAI. https://resource.cdn.icai.org/74466aasb60406.pdf
e.	Audit Conclusions and Reporting	<ul style="list-style-type: none"> • Ensure compliance with the reporting requirements contained in the necessary SAs i.e. SA 700 to SA 720. • Prepare auditor's report as per prescribed format. • The Independent Auditor's Report should be signed by the auditor (i.e. the engagement partner) in his personal name. Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm. • When the auditor modifies the audit opinion: <ul style="list-style-type: none"> - Use the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the Opinion section. - Amend the heading for including basis to "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion," as appropriate. - Within this section, include a description of the matter giving rise to the modification. Also disclose financial impact of the misstatement. • If Emphasis of Matter is given on a matter in the Independent Auditor's Report, ensure relevant matter is fully described in the notes to the financial statements. Also indicate that opinion is not modified in respect of the matter emphasized. • Read the other information to identify inconsistencies with the audited financial statements. • Take guidance from Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705 and Revised SA 706) issued by ICAI. https://resource.cdn.icai.org/50035aasb39630.pdf • Take guidance from Checklist on Standards on Auditing issued by ICAI. https://resource.cdn.icai.org/74466aasb60406.pdf
2. Accounting Standards/Ind ASs		
a.	Accounting Standards/ Ind ASs	<ul style="list-style-type: none"> • All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. • Significant accounting policies disclosed should be relevant to the business of the entity, complete, in accordance with the requirements of the concerned standards and be included together.

		<ul style="list-style-type: none"> • Ensure required measurement, recognition, and disclosures as per applicable standards are made. • Take guidance from Indian Accounting Standards (Ind AS): An Overview issued by ICAI. https://resource.cdn.icai.org/75317asb60889.pdf
3. Other Relevant Laws & Regulations		
a.	CARO	<ul style="list-style-type: none"> • Carry out and document sufficient necessary audit procedures to comment upon various matters required to be reported upon by the auditor. • Ensure compliance with the requirements of CARO as well as Guidance Note on CARO. • Reporting for various matters stated in the CARO should be complete, correct, clear and avoid using words which are ambiguous. • Take guidance from Guidance Note on the Companies (Auditor's Report) Order, 2020 (Revised 2022 Edition) issued by ICAI. https://resource.cdn.icai.org/70956aasb56965.pdf
b.	Schedule III of the Companies Act, 2013	<ul style="list-style-type: none"> • Ensure compliance with the disclosure requirements of Schedule III of the Companies Act, 2013 together with the necessary guidance provided in the relevant Guidance Note/s. • Use the same format for disclosing various items in the financial statements as specified in Parts I & II of Schedule III of the Companies Act, 2013. • Nomenclatures used for various items in the financial statements should be the same as those stated in Schedule III of the Companies Act, 2013. • Ensure all the additional disclosures required to be made in the notes to the financial statements are made as required in Parts I & II of Schedule III of the Companies Act, 2013. • Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the financial statements including notes should be stated. • Ensure the figures appearing in the financial statements are rounded off as required depending upon the turnover of the company. • Ensure once a unit of measurement is used, it is used uniformly in the financial statements. • Ensure each item on the face of the Balance Sheet and Statement of Profit and Loss is cross referenced to any related information in the notes. • Ensure classification of various items of assets and liabilities into current and non-current is made as per the criteria specified in Schedule III of the

		<p>Companies Act, 2013.</p> <ul style="list-style-type: none"> • Make required disclosures for outstanding dues of micro enterprises and small enterprises as required under Sec. 22 of Micro, Small and Medium Enterprises Development Act, 2006 on the face of the balance sheet under trade payables. • Take guidance from 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. https://resource.cdn.icai.org/68981clcg55147-gnd1.pdf / https://resource.cdn.icai.org/68982clcg55147-gnd2.pdf • Take guidance from Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued by ICAI. https://resource.cdn.icai.org/38254asb27888csr.pdf • Take guidance from other relevant guidance notes issued by ICAI.
--	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Annex A

Number and % of AFURs having observations on Standards on Auditing (SA) in reviews conducted:

Standards on Auditing	Number of Observations	Number of AFURs having Observations	% of AFURs to Total AFURs (Total AFURs =57)
SQC-1 Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements	37	17	30
SA-200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	1	1	2
SA-210 Agreeing the Terms of Audit Engagements	2	2	4
SA-220 Quality Control for an Audit of Financial Statements	2	2	4
SA-230 Audit Documentation	18	9	16
SA-240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	6	3	5
SA-250 Consideration of Laws and Regulations in an Audit of Financial Statements	2	2	4
SA-260 Communication with Those Charged with Governance	3	2	4
SA-300 Planning an Audit of Financial Statements	7	7	12
SA-315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment	6	5	9
SA-320 Materiality in Planning and Performing an Audit	4	4	7
SA-330 The Auditor's Responses to Assessed Risks	5	3	5
SA-450 Evaluation of Misstatements identified During the Audit	1	1	2
SA-500 Audit Evidence	4	4	7
SA-501 Audit Evidence – Specific Considerations for Selected Items	1	1	2

SA-505 External Confirmations	8	8	14
SA-510 Initial Audit Engagements-Opening Balances	2	2	4
SA-530 Audit Sampling	6	6	11
SA-540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	4	3	5
SA-550 Related Parties	1	1	2
SA-580 Written Representations	6	6	11
SA-610 Using the Work of Internal Auditors	6	4	7
SA-620 Using the Work of an Auditor's Expert	1	1	2
SA-700 Forming an Opinion and Reporting on Financial Statements	12	7	12
SA-705 Modifications to the Opinion in the Independent Auditor's Report	1	1	2
SA-706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	2	2	4
SA-710 Comparative Information – Corresponding Figures and Comparative Financial Statements	1	1	2
SA-720 The Auditor's Responsibilities Relating to Other Information	5	5	9

Annex B

Number 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 =64)
AS-1 Disclosure of Accounting Policies	7	6	9
AS-2 Valuation of Inventories	3	3	5
AS-3 Cash Flow Statements	7	4	6
AS-9 Revenue Recognition	2	2	3
AS-10 Property, Plant and Equipment	3	3	5
AS-11 The Effects of Changes in Foreign Exchange Rates	3	3	5
AS-13 Accounting for Investments	2	1	2
AS-15 Employee Benefits	4	4	6
AS-17 Segment Reporting	1	1	2
AS-18 Related Party Disclosures	3	3	5
AS-20 Earnings Per Share	3	3	5
AS-21 Consolidated Financial Statements	1	1	2
AS-22 Accounting for Taxes on Income	3	2	3
AS-29 Provisions, Contingent Liabilities and Contingent Assets	1	1	2

Indian Accounting Standards (Ind AS)	Number of Observations	Number of Entities having Observations	% of Entities to Total Entities (Total Entities =64)
Ind AS-101 First-time Adoption of Indian Accounting Standards	1	1	2
Ind AS-102 Share-based Payment	2	2	3
Ind AS-105 Non-current Assets Held for Sale and Discontinued Operations	1	1	2
Ind AS-107 Financial Instruments: Disclosures	10	5	8
Ind AS-108 Operating Segments	3	3	5
Ind AS-109 Financial Instruments	3	2	3
Ind AS-110 Consolidated Financial Statements	3	3	5
Ind AS-113 Fair Value Measurement	4	3	5
Ind AS-115 Revenue from Contracts with Customers	3	1	2
Ind AS-1 Presentation of Financial Statements	8	6	9
Ind AS-2 Inventories	1	1	2
Ind AS-7 Statement of Cash Flows	19	8	13
Ind AS-8 Accounting Policies, Changes in Accounting Estimates and Errors	1	1	2
Ind AS-10 Events after the Reporting Period	3	3	5
Ind AS-11 Construction Contracts	1	1	2
Ind AS-12 Income Taxes	8	5	8
Ind AS-16 Property, Plant and Equipment	2	2	3
Ind AS-17 Leases	8	3	5
Ind AS-19 Employee Benefits	10	8	13
Ind AS-21 The Effects of Changes in Foreign Exchange Rates	1	1	2
Ind AS-24 Related Party Disclosures	17	10	16

Ind AS-27 Separate Financial Statements	1	1	2
Ind AS-32 Financial Instruments: Presentation	1	1	2
Ind AS-33 Earnings per Share	2	1	2
Ind AS-37 Provisions, Contingent Liabilities and Contingent Assets	6	6	9
Ind AS-38 Intangible Assets	1	1	2
Ind AS-40 Investment Property	2	2	3

Annex C

Number 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 =64)
Companies Act, 2013	6	5	8
Schedule III (Div. I & II) of the Companies Act, 2013	104	31	48
CARO, 2016	18	12	19
Others	6	4	6

Annex D

Meetings Organised during FY 2022-23

The details of meetings held during financial year 2022-23 of the Quality Review Board and various Groups/Sub-Committees constituted by the Board are as follows:-

Quality Review Board

1. 69th meeting of the Quality Review Board held on 13th May, 2022 via video- conferencing.
2. 70th meeting of the Quality Review Board held on 23rd August, 2022 via video- conferencing.
3. 71st meeting of the Quality Review Board held on 23rd November, 2022 at ICAI Bhawan, New Delhi/ via video-conferencing.
4. 72nd meeting of the Quality Review Board held on 13th March, 2023 via video- conferencing.

Quality Review Group-I

5. 57th meeting of the Quality Review Group-I, constituted by the QRB, held on 05th July, 2022 via video-conferencing.
6. 58th meeting of the Quality Review Group-I, constituted by the QRB, held on 1st August 2022 and continued on 2nd August, 2022 via video-conferencing.
7. 59th meeting of the Quality Review Group-I, constituted by the QRB, held on 01st March, 2023 and continued on 2nd March, 2023 via video-conferencing.

Thematic Review Group

8. 3rd meeting of the Thematic Review Group, constituted by the QRB, held on 17th August, 2022 via video-conferencing.
9. 4th meeting of the Thematic Review Group, constituted by the QRB, held on 04th November, 2022 via video-conferencing.

Expert Group

10. 1st meeting of the Expert Group, constituted by the QRB, held on 10th October, 2022 and continued on 15th October, 2022 via video-conferencing.

Sub-Committee-I

11. 22nd meeting of the Sub-Committee-I, constituted by the QRB, held on 17th August, 2022 via video-conferencing.
12. 23rd meeting of the Sub-Committee-I, constituted by the QRB, held on 04th November, 2022 via video-conferencing.
13. 24th meeting of the Sub-Committee-I, constituted by the QRB, held on 20th February, 2023 via video-conferencing.

Audit Committee of QRB

14. 11th meeting of Audit Committee of QRB held on 05th July, 2022 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.grbca.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.grbca.in