

Report on Audit Quality Review 2017-18



QUALITY REVIEW BOARD

(Established under an Act of Parliament)

In Pursuit of Professional Excellence of Chartered Accountants in India

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<http://www.qrbca.in>

June, 2018

Quality Review Board

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From the Chairperson's Desk

The reliability of audits has once again been called into question following recent cases of frauds. Now, it has become all the more imperative for each Audit firm to verify its audit engagements and quality control system with reference to the deficiencies and their root causes. In doing so, Audit firms should pay attention not only to whether their engagements and systems comply with the standards formally, but also whether they strive to ensure and improve the quality of their audits and whether they exercise appropriate professional skepticism that could identify accounting fraud, and whether they constantly focus on the business risks of the audited entities. If deficiencies are identified in the quality control system, the Audit firm should not only remedy the deficiencies but also analyze the root causes and improve them.

With rapid advances in technology, businesses are increasingly focusing on “big data” and relying on digital information systems to process transactions. These will feed into the financial and corporate reporting systems and eventually affect financial information flows into the financial statements. As business transactions and information flows become more complex and voluminous, the use of traditional auditing methods alone, such as sampling and simple analytical review, may no longer enable auditors to obtain sufficient and appropriate audit evidence. Combined with traditional auditing techniques, data analytics may help auditors perform a better audit in various ways such as gaining a better understanding of their audit entity, identifying trends, anomalies and possible misstatements and testing complete sets of data rather than just sampling. It may also aid in supporting their basis and conclusions reached. But, data analytics is only a tool and must be applied in line with the auditing principles. It cannot replace auditor's professional scepticism and judgement. Rather, its full potential can be only harnessed to the extent that the auditor is able to apply it appropriately in the context of an entity's audit.

Quality Review Board (QRB) established by the Government of India under the Chartered Accountants Act, 1949 has been constantly striving to improve audit quality of Audit firms by focusing upon its reviews. During the financial year 2017-18, QRB continued to conduct its reviews of audits of top listed and other public interest entities selected on risk based approach. We have also recently published a “Technical Guide on Conducting Quality Review” for the benefit of all the Technical Reviewers and other concerned stakeholders.

The present Report highlights the key findings observed in the audit quality reviews conducted during the financial year 2017-18 indicating our approach for review, overall trend, our expectations and other focus areas in respect of various areas. I hope the concerned stakeholders will find them useful. Now, it is for the concerned Audit firms to take remedial actions for the deficiencies highlighted as well as identify the root causes thereof and improve themselves.

I would like to take this opportunity to thank, in particular, Mr. Injeti Srinivas, Secretary, Ministry of Corporate Affairs, Mr. K. V. R. Murty, Joint Secretary (Corporate Affairs) and CA. Naveen N.D. Gupta, President, ICAI for their continuous overall support and guidance in spearheading the activities of the Board. I also thank Mr. V. Kurian, Director General (Com.—I), Office of the Comptroller & Auditor General of India & Convenor, Quality Review Group and all the other Members of the Quality Review Board for their invaluable contribution. I also highly appreciate the role of CA. Mohit Baijal, Secretary, QRB, CA. Sharwan Baluni and all other staff of the QRB Secretariat who provided excellent support to the Board including in finalization of this Report.

Yours sincerely,

A handwritten signature in blue ink that reads "Parvinder Sohi Behuria".

Dr. Parvinder Sohi Behuria
Chairperson, Quality Review Board

Place: NOIDA
Date: 11.06.2018

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Composition of the Board

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

Nominees of the Central Government

1. Dr. (Mrs.) Parvinder Sohi Behuria, IRS (Retd.), Gurugram – Chairperson (wef 20.7.2015)
2. Mr. Rajat Sethi, Advocate, Mumbai – Member (wef 12.07.2016)
3. Mr. K. V. R. Murty, Joint Secretary, Ministry of Corporate Affairs, New Delhi – Member (wef 12.07.2016)
4. Mr. Jayanta Jash, Chief General Manager, Securities and Exchange Board of India, Mumbai – Member (wef 12.07.2016)
5. Mr. Vithayathil Kurian, Director General (Com.)-I, Office of the Comptroller & Auditor General of India, New Delhi – Member (wef 12.07.2016)
6. Mr. Mahendra Khandelwal, Additional Government Advocate, Ministry of Law and Justice, Department of Legal Affairs, New Delhi – Member (wef 12.07.2016)

Nominees of the Council of the ICAI

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

Special Invitees

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

Secretary to the Board

- CA. Mohit Baijal

Our Approach

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

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

With a view to providing greater independence to the QRB, the ICAI Council has *suo motu* decided to recommend to the Ministry of Corporate Affairs to make suitable amendment into the Chartered Accountants Act, 1949 so that QRB reports and findings can go directly to the Disciplinary Committee (DC). The Council has further decided that till the time such amendment takes place, the QRB reports and findings may be forwarded to the DC and may be placed in the Council as noting item only.

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

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

Our Expectations

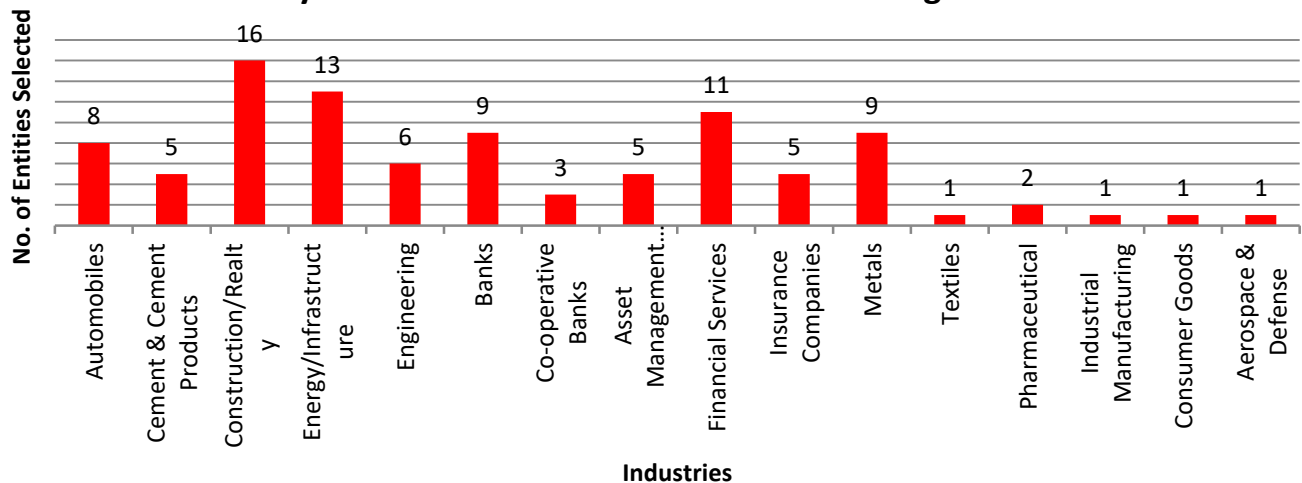
Audit firms should continue their efforts to improve audit quality on a consistent basis. Audit firms should address the non compliances identified during the review by performing root-cause analysis. This will help them prevent these issues from recurring. We encourage all the Audit firms to take note of the key findings published annually in QRB's 'Report on Audit Quality Review'.

How we select Audit Firms for Review

Quality Review Board continued to adopt risk based approach for selection of audit engagements for initiating audit quality reviews during the F.Y. 2017-18. Accordingly, various entities were selected as per following criteria:-

Category	Basis of selection of Companies/Entities	Weightage
A	BSE 500/NSE 500 Listed Entities: Out of BSE 500/NSE 500 indices, selecting entities not yet selected by the QRB from certain identified sectors susceptible to risk including Banks.	69%
B	Insurance Companies: Top life insurance companies based upon the Assets under Management (including atleast one non-life insurance company).	5%
C	AMCs: Top Asset Management Companies based upon Average Assets under Management (including atleast one from the public sector).	5%
D	IPOs: Top Entities which came out with IPOs during last three years with issue amount of Rs. 500 Crores and above.	4%
E	Unlisted Banks: Top unlisted banks including cooperative banks, but excluding gramin banks & foreign banks, selected on the basis of their advances.	5%
F	Unlisted PSUs: Unlisted PSUs with Initial Public Offers in pipeline selected randomly.	5%
G	NPAs: Entities being large NPAs and immediately qualifying for reference under IBC	7%

Industry wise Number of Entities Selected during F.Y. 2017-18



The statutory auditors for the year ending on 31.3.2016 or the year 2015, as the case may be, in respect of the companies/entities selected as per above, were selected for their Audit Quality Review. Generally, maximum of five audit engagements in respect of a particular Audit firm are selected for review during the year. However, in certain cases, more than five audit engagements of an Audit firm may also be selected for review, on case to case basis. Further, in the absence of adverse observations noted by the Board in the past, generally, not more than one audit file of an engagement partner in an Audit firm is selected in one particular year. However, in certain cases, more than one audit file of an engagement partner in an Audit firm may also be selected by the Board, on case to case basis. In case of a joint central statutory audit of a selected entity, normally, each one of the joint central statutory auditors are selected for review.

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

How we conduct Audit Quality Review

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

Based on the QRG's recommendation, the QRB decides to (a) accept the report and close the case if the quality of audit and reporting was found to be acceptable; or (b) recommend the case to the Council of the ICAI for necessary action in cases of material non-compliances/ violations and requiring significant improvement; or (c) issue advisory to the concerned Audit firm for compliance in other cases requiring improvement which are subsequently followed-up for compliance and improvement.

With a view to providing greater independence to the QRB, the ICAI Council has *suo motu* decided to recommend to the Ministry of Corporate Affairs to make suitable amendment into the Chartered Accountants Act, 1949 so that QRB reports and findings can go directly to the Disciplinary Committee (DC). The Council has further decided that till the time such amendment takes place, the QRB reports and findings may be forwarded to the DC and may be placed in the Council as noting item only.

The QRB has specified the format for the Final Report, and the Quality Review Program General Questionnaire containing questions concerning various aspects of an Audit firm such as Quality control, ethical requirements & audit independence; leadership and responsibilities; assurance practices; client relationships & engagements; human resources, consultation; differences of opinion; engagement quality control review; engagement documentation; audit planning & risk assessment; materiality; audit sampling & other selective testing procedures; audit documentation; audit evidence; written representations; Auditor's report; and financial statements review. QRB has also issued a '**Technical Guide on Conducting Quality Review**'. This Technical Guide, which aims to set uniform benchmarks and practices for conducting reviews, deals in great detail about practical aspects of conducting quality reviews by the Technical Reviewers (TRs) such as basic principles of conducting the review, terms of review, quality control in a review, planning, conducting and reporting aspects of the review etc.

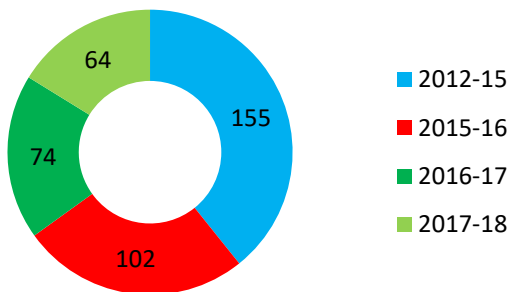
Independence of the TR and also the members of the review team vis a vis the Audit firm as well as the auditee is imperative. Accordingly, TRs are required to fulfil, *inter alia*, the following conditions:

- a) TR 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.
- 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 had any association with the audit firm under review, during the last three financial years and /or thereafter.
- c) TR complies with all the eligibility conditions laid down for appointment as an auditor of the company/entity under review under section 141(3) of the Companies Act, 2013 so far as applicable.

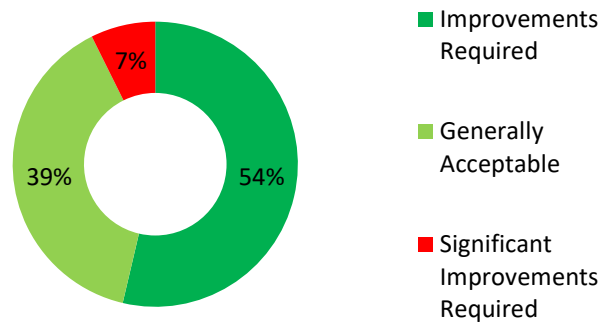
Further, while assigning the quality review work to the respective Technical Reviewers, in order to ensure independence and avoid conflict of interest, in most of these cases, as far as possible, the Technical Reviewers hailing from different city/region are selected than the city/region of H.O. of the selected Audit firm. The QRB considers confidentiality of information pertaining to the quality review assignments to be of paramount importance. Accordingly, TR as well as all the members of the review team are required to submit a confidentiality declaration.

Overall Trend of Audit Engagements Reviewed

Number of Audit Engagements Reviewed



Findings of Audit Engagements Reviewed (2012-18)



Since FY 2012-13, the QRB has:

Selected more than:

- 580 audit engagements
- 440 top listed and other public interest entities in India.
- 85% market cap of the stocks listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)
- 300 Audit firms, registered with the ICAI, who had performed these audits.

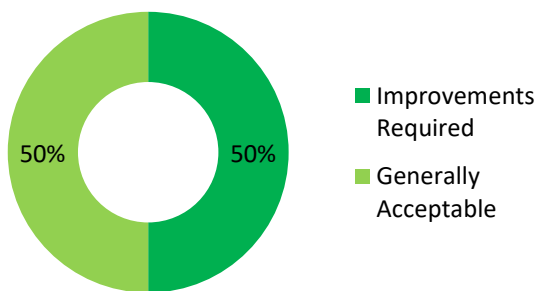
Finalised reviews of 395 audit engagements (till 31.03.2018). Of these:

- 29 cases recommended to the ICAI Council for consideration and necessary action. Of the cases recommended to ICAI Council, 7 have been referred to Disciplinary Committee and in 19 cases ICAI decided to issue advisories to concerned Audit firms. 3 cases were closed.
- 213 cases appropriate advisories were issued by the Quality Review Board to the concerned Audit firms for improvement in quality of their services.
- 153 cases were closed as they were generally acceptable.

Key Findings

The following key findings are in respect of the audit quality reviews conducted by the Quality Review Board during the FY 2017-18 pertaining to the financial statements for the years ended on 31 March, 2014 and 31 March, 2015. In this report, audit quality review findings of 64 reviews completed during FY 2017-18 (till 31st March, 2018) have been included.

Audit Quality Reviews covered in the Report



Audit firms reviewed

47

Entities Covered

53

(Including 41 listed and 12 other Public Interest Entities)

Audit files reviewed

64

Standards on Auditing

Quality Control Framework (SQC-1)

Focus Areas

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

Findings in this area included:-

- failure to establish and implement policies relating to the element of Standards on Quality Control;
- failure to establish and implement policy on engagement quality control review and human resources;
- failure to reduce the familiarity threat to an acceptable level;
- failure to establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation;
- failure to mention date in declaration of independence obtained from partners.

Agreeing the Terms of Audit Engagement (SA 210)

Findings in this area included:-

- failure to agree on the terms of the audit engagement with appropriate management or those charged with governance;
- failure to mention management responsibility regarding preparation of financial statements in accordance with the applicable financial reporting framework.

Audit Documentation (SA- 230)

Focus Areas

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

Findings in this area included:-

- failure to prepare audit documentation for audit procedure performed and audit evidence obtained as required by SA 200, 240, 250, 260, 320, 330, 500, 530, 610, 720 and SQC-1;
- failure to prepare sufficient appropriate audit evidence for audit procedure performed for reporting under CARO, 2015;
- failure to prepare adequate documentation for work performed, indicates that the firm has not carried out appropriate audit procedures.

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

Focus Areas

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

Findings in this area included:-

- failure to document nature, timing and extent of test of control procedure to address the risk arising from control environment and not considering material related party transactions as high risk item.
- failure to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.
- failure to document nature, timing and extent of audit procedure performed for treating certain litigation and claims as non contingent.
- failure to make proper plan for overall audit strategy and nature, timing and extent of audit procedure.

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

Focus Areas

- Whether the engagement team has designed and performed audit procedures to obtain sufficient appropriate audit evidence to draw reasonable conclusions on which to base the auditor's opinion;
- Whether the engagement team obtains appropriate audit evidence responsive to the assessed risks of material misstatement at the assertion level, rather than only focusing on the quantitative sufficiency of audit evidence;
- Whether engagement team maintains control over external confirmation request when using external confirmation procedures, and if not, whether engagement team perform alternative audit procedures;
- Whether engagement team obtains written representation from management;
- Whether the engagement team performs appropriate audit procedures in individual situations as tests of controls and substantive procedures.

Findings in this area included:-

- failure to attend physical inventory counting and not performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results;
- failure to prepare audit documentation for analytical procedures, audit sampling, identification of risk of material misstatement in audit strategy and identifying related party transaction;
- failure to obtain sufficient amount of external confirmations and in the manner required and absence of alternative audit procedure in case of not using external confirmation.
- failure to obtain written representations from management;
- failure to obtain appropriate audit evidence for reporting requirement under Section 143(3)(g) of Companies Act, 2013 regarding disqualification of director.

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

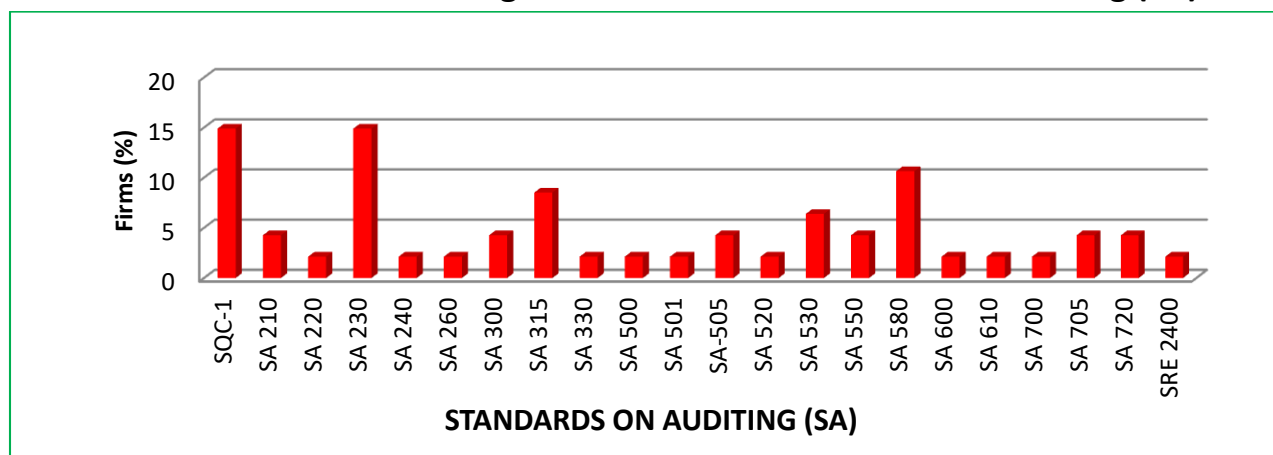
Focus Areas

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

Findings in this area included:-

- failure to prepare audit report in specified format;
- failure to include 'Basis for Qualified Opinion' Paragraph in the Independent Auditor's report that provides a description of the matter giving rise to the modification;
- inconsistency in other Information as defined in SA 720 and financial statement.

% of Audit Firms having observations on Standards on Auditing (SA)¹



¹ The graph represents the % of Audit firms having observations under various Standards on Auditing (SAs) for reviews completed during F.Y. 2017-18 (pertaining to the financial statements for the years ended on 31 March, 2014 and 31 March, 2015). For further details and titles of SAs, please refer Annex A at Page 20.

Accounting Standards

Disclosure of Accounting Policies (AS-1)

Findings in this area included:-

- failure to disclose all the significant accounting policies adopted in the preparation and presentation of financial statements.

Cash Flow Statements (AS-3)

Findings in this area included:-

- failure to report separately major classes of gross cash receipts and gross cash payments arising from investing activity;
- classifying fixed deposits having maturity of more than three months as Cash and Cash Equivalents;
- failure to report the effect of changes in exchange rates on cash and cash equivalents held in a foreign currency as a separate part of the reconciliation of the changes in cash and cash equivalents during the period;
- failure to disclose method of preparing Cash Flow Statement;
- failure to disclose dividend distribution tax as cash flow from financing activity.

Depreciation Accounting (AS-6)

Findings in this area included:-

- failure to depreciate asset over the balance lease period;
- failure to disclose depreciation rates or the useful lives of the assets on being different from the rates specified in Schedule II of Companies Act, 2013.

Revenue Recognition (AS-9)

Findings in this area included:-

- failure to disclose the excise duty related to the difference between the closing stock and opening stock in the Statement of Profit & Loss;
- failure to recognize certain other income on accrual basis;
- failure to disclose accounting policy on dividend income from investment in shares;
- failure to disclose revenue from sales transactions on the face of statement of profit and loss.

Accounting for Investments (AS-13)

Findings in this area included:-

- failure to recognize decline, other than temporary, in the value of long term investments;
- failure to show interest and dividend from long term and current investments separately;
- failure to show profit and loss on disposal of long term and current investments separately.

Employee Benefits (AS-15)

Findings in this area included:-

- failure to disclose requirements as specified in Para 120(n) and (o) of AS 15;
- failure to disclose information about defined benefit plans.

Borrowing Costs (AS-16)

Findings in this area included:-

- failure to disclose amount of borrowing cost capitalised during the year;
- failure to capitalize borrowing cost as part of cost of qualifying assets.

Earnings Per Share (AS-20)

Findings in this area included:-

- failure to present basic and diluted earnings per share on the face of the statement of profit or loss.

Accounting for Taxes on Income (AS-22)

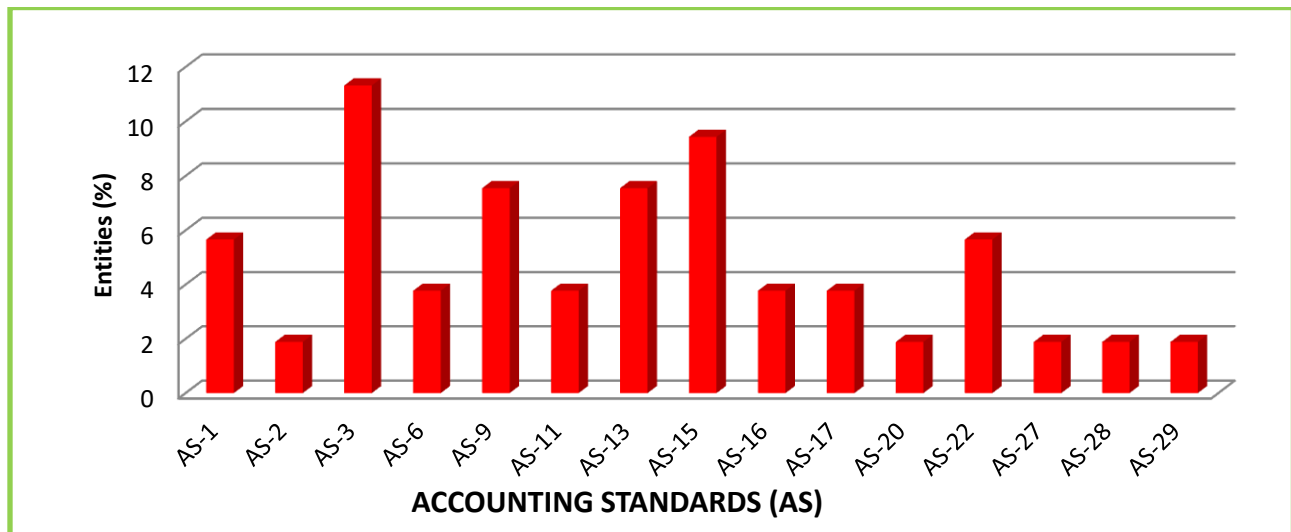
Findings in this area included:-

- recognition of deferred tax assets despite the fact that there was no record of virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized;
- failure to review the carrying amount of deferred tax assets at each balance sheet date in terms of para 26 of AS 22;
- failure to take deferred tax effect in respect of depreciation charged to retained earnings.

Impairment of Assets (AS-28)

Findings in this area included:-

- failure to disclose carrying amount of fixed assets at the beginning and at the end of the period;
- failure to disclose impairment information for reportable segment as per Para 120 of AS 28.

% of Entities having observations on Accounting Standards (AS)²

² The graph represents the % of Entities having observations under various Accounting Standards (ASs) for reviews completed during F.Y. 2017-18 (pertaining to the financial statements for the years ended on 31 March, 2014 and 31 March, 2015). For further details and titles of ASs, please refer Annex B at Page 21.

Other Relevant Laws and Regulations

Schedule III of the Companies Act 2013/Revised Schedule VI of the Companies Act, 1956

Section 129(1) of the Companies Act 2013 (former Section 211(1) of the Companies Act, 1956) requires all companies to draw up the balance sheet and statement of profit and loss as per the format set out in Schedule III (earlier Schedule VI). As per the notification of Ministry of Corporate Affairs (MCA) dated 26th March 2014, financial statements for all companies (except banking and insurance companies) have to be prepared using the format given by Schedule III for financial years commencing on or after 1st April 2014. Cases of deficiencies in regard to the compliance with Schedule III/ revised Schedule VI have been noted, relating to the disclosure and classification by the companies in their financial statements. Though these deficiencies did not result in any material misstatement and did not have financial impact on the results of the company but adherence should be made to the Schedule III/ Revised Schedule VI for preparing the financial statements.

Other Laws and Regulations

Findings in this area included:-

- failure to disclose and report appropriately under various clauses of CARO, 2016;
- failure to disclose requirements of RBI Circulars;
- failure to disclose the requirements of Schedule III of Banking Regulation Act, 1949;
- failure to disclose the requirement of Schedule II of the Companies Act, 2013.

What Audit firms can do

- Perform root cause analysis apart from focusing on improving particular non-compliance identified.
- Establish and implement policy and procedures on engagement quality control review, human resource, confidentiality and safe custody of engagement documentation.
- Proactively review internal quality control measures.
- Reward staff and partners who deliver high-quality audits and make this a key indicator in performance reviews.
- Obtain independence declaration.
- Agree on the terms of audit engagement with appropriate management or those charge with governance.
- Inadequate audit documentation is most common finding, therefore, prepare necessary audit documentations for audit procedure performed and audit evidence obtained.
- Obtain written representation on various assertions from management.
- Prepare audit report in applicable specified format.

Annex A**Number of Firms having observations on Standards on Auditing (SA) in reviews during FY 2017-18:**

Standards on Auditing	Number of Observations	Number of Firms involved	% of Firms to Total Firms (Total Firms =47)
SQC-1 Quality Control for Firms that Perform Audits and Reviews of Historical financial Information, and Other Assurance and Related Services Engagements	11	7	15
SA 210 Agreeing the Terms of Audit Engagements	3	2	4
SA 220 Quality Control for an Audit of Financial Statements	1	1	2
SA 230 Audit Documentation	8	7	15
SA 240 Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	1	1	2
SA 260 Communication with those Charged with Governance	1	1	2
SA 300 Planning an Audit of Financial Statements	2	2	4
SA 315 Identifying and assessing the risks of material misstatement through understanding the Entity and its environment	4	4	9
SA 330 Auditor's responses to assessed risks	1	1	2
SA 500 Audit Evidence	1	1	2
SA 501 Audit Evidence- Specific considerations for Selected Items	1	1	2
SA 505 External Confirmations	2	2	4
SA 520 Analytical Procedures	1	1	2
SA 530 Audit Sampling	3	3	6
SA 550 Related Parties	2	2	4
SA 580 Written Representations	5	5	11
SA 600 Using the Work of Another Auditor	1	1	2
SA 610 Using the Work of Internal Auditors	1	1	2
SA 700 Forming an Opinion and reporting on Financial Statements	1	1	2
SA 705 Modification to the opinion in the Independent Auditor's Report	2	2	4
SA 720 The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	2	2	4
SRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of Entity	1	1	2

Annex B**Number of Entities having observations on Accounting Standards (AS) in reviews conducted during FY 2017-18:**

Accounting Standards	Number of Observations	Number of Entities	% of Entities to Total Entities (Total Entities =53)
AS - 1 Disclosure of Accounting Policies	3	3	6
AS -2 Valuation of Inventories	1	1	2
AS -3 Cash Flow Statements	6	6	11
AS-6 Depreciation Accounting	2	2	4
AS - 9 Revenue Recognition	6	4	8
AS - 11 Effects of Changes in Foreign Exchange Rates	2	2	4
AS- 13 Accounting for Investments	5	4	8
AS - 15 Employee Benefits	5	5	9
AS-16 Borrowing Costs	2	2	4
AS-17 Segment Reporting	2	2	4
AS - 20 Earnings Per Share	1	1	2
AS - 22 Accounting for Taxes on Income	3	3	6
AS-27 Financial Reporting of Interests in Joint Ventures	1	1	2
AS - 28 Impairment of Assets	2	1	2
AS - 29 Provisions, Contingent Liabilities and Contingent Assets	1	1	2