

Quality Review Board: A Decade's Journey



Auditors play a key role in upholding continued public trust in the financial reporting system. A quality audit is likely to be achieved when the auditor's opinion on the financial statements can be relied upon as it was based on sufficient appropriate audit evidence obtained by an engagement team that exhibited appropriate values, ethics and attitudes; was sufficiently knowledgeable and experienced; had sufficient time allocated to perform the audit work; and applied a rigorous audit process and quality control procedures. With a view to improving the quality of audit services in the country, the Central Government had constituted a Quality Review Board (the "Board"/"QRB") by Notification GSR 448(E) dated 28th June, 2007 in exercise of the powers conferred u/s 28A of the Chartered Accountants Act, 1949, consequent to the Chartered Accountants (Amendment) Act, 2006. Recently, on 28th June, 2017, QRB completed 10 years of its establishment. Read on to know more...

Six Members of the Quality Review Board including Chairperson are nominated by the Central Government and five Members of the Board are nominated by the Council of the Institute of Chartered Accountants of India ("ICAI"/"Institute"). The Chairperson and members of the Board are appointed from amongst the persons of eminence having experience in the field of law, economics, business, finance or accountancy. Apart from five representatives of the Council of the ICAI, the current composition of the Board also incorporates representatives from the Ministry of Corporate Affairs, Ministry of Law & Justice, Comptroller & Auditor General of India and Securities & Exchange Board of India. The Chairperson is the retired Indian Revenue Service Officer and the other one a practicing advocate. The composition of the Board ensures that it has majority of non-practitioners on the Board.



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Sec. 28B of the Chartered Accountants Act, 1949 specifies that Quality Review Board shall perform the following functions, namely:-

- (a) to make recommendations to the Council (of the Institute) with regard to the quality of services provided by the members of the Institute;
- (b) to review the quality of services provided by the members of the Institute including audit services; and
- (c) to guide the members of the Institute to improve the quality of services and adherence to the various statutory and other regulatory requirements.

Quality Review is directed towards evaluation of audit quality and adherence to various statutory and other regulatory requirements. In accordance with the Procedure issued by the Board, in the financial year 2012-13, a robust system of independent review of statutory audit services of the audit firms auditing accounts of top listed and other public interest entities in India was initiated pursuant to a process comprising selection of the audit firms for review and engagement of Technical Reviewers. QRB's reviews involve assessment of the work of statutory auditors while carrying out their statutory audit function so that the Board is able to assess (a) the quality of audit

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and reporting by the statutory auditors; and (b) the quality control framework adopted by the audit firms in conducting audit. The Board had decided to engage Chartered Accountants as Technical Reviewers, however, employing adequate safeguards to ensure there is no conflict of interest with the reviews that they conduct and also ensuring they maintain strict confidentiality of information obtained.

The review procedures include a review of aspects of the firm's auditing of financial statements of selected audit/s. The scope of the reviews is determined according to the Board's criteria, and the firms are not allowed an opportunity to limit or influence the scope. The major focus of the reviews is on compliance with technical standards, relevant laws & regulations, quality of reporting, firm's quality control framework. In addition to evaluating the quality of the audit work performed on a specific audit, the review includes review of certain aspects of the firm's practices, policies, and procedures related to audit quality.

Since FY 2012-13, the Board has selected more than 550 review assignments for review of statutory audits of more than 400 top listed and other public interest entities in India. The Board had selected more than 300 Audit firms, registered with the ICAI, who had performed these audits. These selected entities, ranging from various industries/sectors, represent more than 85% market cap of the stocks listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). In line with the international best practices, selection of entities, for audit quality review of its statutory auditors, is made based upon risk based approach selecting top entities listed at NSE/BSE focusing upon stressed and other sectors and other top public interest entities. Currently, 100 Chartered Accountants have been empanelled as Technical Reviewers with the Board. They along with their qualified assistants, ensure that resources of more than 300 qualified professionals are available with the Board for conducting these reviews.

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to the concerned audit firms for improvement in quality of their services. Of the cases recommended to ICAI Council, 7 have been referred for initiating disciplinary proceedings and in 19 cases ICAI decided to issue advisories to concerned Audit firms. The whole review mechanism has been administered as per best international practices based upon a detailed analysis of the inspection systems of the audit regulators around the world. Results of reviews have been regularly published and hosted at QRB website (www.qrbca.in) as well as ICAI website (www.icaai.org) by way of QRB Reports on Audit Quality Review as necessary guidance to CAs for improving quality of their audit services in future.

QRB's work is based on facts and founded on what is learnt during the course of review and in the outreach. Through various means, QRB has been guiding the audit firms to improve their audit quality. QRB has also been guiding its Technical Reviewers in terms of their role and responsibilities and how they should structure their review emphasising upon compliance of technical standards, relevant laws and regulations and other aspects. The vast majority of audit firms have reacted responsibly by taking actions to improve compliance and overall audit quality. A number of other important initiatives have also been taken by the QRB with a view to effectively carry out the functions as entrusted to the Board u/s 28B of the Chartered Accountants Act, 1949.

At the international level, Quality Review Board appreciates the need to establish international linkages and co-operation with the counterpart international bodies and organisations with a view to sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity. The Board has initiated dialogue for co-operation with International Forum of Independent Audit Regulators (IFIAR) as well as independent audit regulators of various other countries.

It is believed, reinforcing market confidence through audit reliability, supporting the effectiveness of audit committees and increasing audit transparency are real challenges for the profession striving to stay relevant in the 21st century. ■