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4		**Representation on the MCA Consultation Paper on Audit Independence and Accountability**			
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6	**A**	**Suggestions on the important aspects not covered on the issues stated in Consultation Paper**			
7		MCA has issued Consultation Paper on Audit Independence and Accountability and has sought suggestions on issues raised therein. One should understand that Audit of the financial statements carries risk as well as liability . Presently domestic audit firms are not being adequately compensated as compared to risk one assumes. There are various stake holders which relies on such statements and hence it assumes a premium service. Presently many Chartered Accountants firms are not willing to undertake such services mainly due to risk involved in same and there is general perceptions that auditing firm generally are being penalised for the non performance of duties cast on person who are primary responsible for preparation of Financial Statements or Person repsonsible for lending money. Hence it is necessary understand the root cause which have not been considered in the Consultation Paper. (i) First and formost it is important that Auditing firm should be adequately remunerated as compared to the risk they are assuming. Minimum Fees Prescribed by ICAI shall be made mandatory under the Companies Act. (ii) At the same time to Govt should inspire and incentivise merger of small and medium size firms to bring domestic firm at par with international firms. Further Govt can think of incentivising such domestic Chartered Accounatant Firms for investing more in technology and resources so as to bring them at Par . (iii) fidelity insurance by all Audit firms need to be made mandatory.			
8	**B**	**Suggestion on issues Covered in MCA consultation Paper**			
9	**Sr No**	**Para Number**	**Suggestions are invited on the issues:-**	**CTC Suggestions**	**Rationale**
10		1.3	**(a) What are the way outs to remove such economic concentration of audit?**	Domestic Firms should be incentivized to invest in technology and skill upgradation and making their practices scalable and sustainable. Domestic Firms should be considered for joint Audit assignments based on certain benchmarking such as number of CA partners, qualified CA employees, Post qualification and post CP experience in Audit, Quality Review certification etc. Domestic Firms with quality certification as well as net working firms should be considered for joint audits. Work allocation shoulld be done in equal manner . This can make the domestic firms become more competitive and more skilled.	This will reduce economic concerntration of audit and also give opportunity to Domestic chartered Accountantant firms for improving their skills.
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12		1.3	**(b) Whether number of audits under one audit firm/ Auditor be reduced?**	No	Existing company have restriction on audit per partner and that is considered sufficient.

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15			**(c) Whether the number of partners under one audit firm be reduced or fixed?**	No	The Chareterd Acccoutants should have autonomy to decide on number of partners required for their operations .
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17			**(d) How the burden of these Big-4 can be reduced? Which other audit firms in India are able to compete with them and reduce the workload of Big-4?**	More domestic firms should be promoted. Doemstic firm should be incentivized to increase size of the firm. Other way joint audit as well as networking among domestic firms shall also be promoted.	This will make Audit Practice broad based .
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19			**(e) Are the auditors in listed companies be appointed from a separate panel of auditors prepared by NFRA**	No . There is no need to create separate panel for appointment of auditor.	Creation of Panel is against the principle of ease of doing business in India. Further, it may lead to more red tapism and favouritism. Such restrictions may impose unnecessary and artificial limitations on selection of an Audit Firm by the Audit Committee. The Audit Committee can select the Audit firm based on various criteria such as Size of the firm, number of Qualified employees, quality review process completed , experience, Strength of the firm etc.
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22			**(f) Whether the home grown Indian audit firms are equipped with the audit procedures, audit tools, manpower capacity to handle the audit of large organisations?**	Yes. It is necessary to make Audit make more competitive and follow international practices. For this purpose the domestic firms should be incentivized for continuing education initiatives, investment in technology, and skill upgradation. Domestic Firms should also be incentivised to undertake effective secondment programs for qualified chartered accountants with large national and international audit firms. Such programs need to be structured with appropriate checks and balances to avoid the risks of solicitation of resources and clients.	It is suggested that Audit firms should be required to follow Qualty Review Processs and Certification which ensures that firms are capable of conducting audit.
23	**2**		**Non Audit Services not to be taken by Auditors**		
24		**2.4**	**What more non-audit services can be included in the list? How the self-regulation among the auditors can be increased?**	There are restrictions under the Companies Act and hence no changes reuqired. However it is important to provide guidance on what can be considered as Management Services .	The primary responsibility of seeking non-audit services rests with the Audit Committees / Board of Directors of companies. If the Audit Committee selects a non-audit service provider who happens to be the statutory auditor, the Audit Committee should seek effective china-wall / separation of audit & non-audit teams and adherence to strict confidentiality principles. The existing provisions of the Companies Act are adequate in providing the safeguards and laying down the responsibility matrix for provision of non audit services . In addition to this ICAI guidelines states that remuneration of Non audit services should not exceed the audit fee. These provisions are adequate to ensure auditor independence and accountability.
25	**3**		**Joint Audits**		

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26		3.4	**Whether the Joint Audit should be made mandatory for bigger companies? What should be threshold for the bigger companies?**	Mandatory appointment of joint auditors can be considered for entities with annual turnover threshold of Rs. 1000 crore.	For smaller companies it will not be cost effective to have joint audits
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28	4		**Mandatory Comment of Holding Company's Auditor on account of Subsidiary Companies**		
29		4.3	Accordingly, as the layering of subsidiaries have also been lessen, the comments are invited on the issue as to whether the holding company's auditor must also review the working papers of auditor of subsidiary and make mandatory comment on the account of subsidiary companies.	(i) Present Standard on Auditing Practices SA 600 is adequate in dealing with demarcating the responsibility between the auditors and should continue to apply (ii) The Statutory Auditors of each Subsidiary company should be subjected to Quality Review Control Process and Certification.	This may create conflict of opinion . Further it will result in duplication of effort and would not add value. Present SA 600 is sufficient to take care of such situation .If the quality of the Auditor of the Component is maintained then Parent Company Auditor should be in a position to rely on their work. Company Auditors Report Order 2020 (CARO) requires reporting of any adverse remark by component auditor to be repeated in Consolidated Audit Report of the Parent Company . This will help in giving information to the the stakeholder.
30			**Methodology for creation and Maintenance of proposed Paenl of Auditors**		
31		5.2	**Accordingly, the suggestions are invited on the feasibility of creation and maintenance of panel of auditors for Non-Government Companies (Both Listed, Unlisted and Private Companies). What methodology can be adopted for creation of such panel of auditors?**	It is not advisable to create and maintain Panel of Auditors for Non Government Companies Listed as well Non Listed companies.	We do have Peer Review and Quality Control Procedure and certification in place and hence there is no need for creation and maintenance of Auditors. Audit Committee should be given power to select Audit firm based on requisite Criteria laid down . Further creation of Panel may result in red tapism and is also against the principle of ease of doing business.

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32	**6**		**Audit engagement letter-where mandated and assessment of its utility and mis use.**		
33		**6.2**	**Accordingly, the suggestions are invited to see the possibility of taking audit engagement letter on record along with ADT-1 to see if the same is not in violation of section 144 of the Act i.e, Non-audit services are not there in audit engagement letter. Also comments on further use of such engagement letter to enhance the independence of the auditor are solicited.**	Not required.	There will be separate letter for each engagement . Further many times certain egagments takes place much later on .Hence it will not be feasible to attach all engagement letter with ADT1.
34	**7**		**Utilisation of borrowed funds - Concurrent Audits**		
35		**7.4**	**Accordingly, the suggestions are invited as to whether the concurrent audit is to be made mandatory in big listed companies and what points should be included in the checklist to be developed in company audit in this regard. What should be the threshold for big listed companies for this purpose?**	We do not recommend Concurrent Audit.	Statutory Auditor is required to comment on the utilisation of borrowed funds under Company's Auditors' Reporting Order 2020. Too much regulatory regime for auditing professsion will create bottlenecks in system and may not yield desired result. Further one need to understand that it is the primary responsibility of lender to monitor such loans and putting onus on Auditor will not resolve the problem.
36	**8**		**Restriction on Number of Audit firms a, a group (Big 4) can have in whole India**		
37		**8.3**	**Whether number of audits under one audit firm/ Auditor be reduced? Whether the number of partners under one audit firm be reduced or fixed?**	No .	Present regulations are sufficient to take care of the same.

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38	**9**		**Disclosure/ requirement on probability of default? - On Lines with Credit Rating Agencies**		
39		**9.4**	**Accordingly, in order to reduce the NPAs and defaulters of loan payments, the suggestions are invited as to whether such kind of disclosures are required to be made by the Auditor in his Audit Report? If yes, in what manner?**	Not required	It is not possible to ascertain probability of default by the Auditors and therfore it will be subjective assessment . It is the area of lender . There is already auditing standard in place where Auditor is required to comment if the company is no longer a going concern. It is appropriately captured by the MCA consultative paper that it is the responsibility of Credit Rating Agency.
40	**10**		**Unlisted Company whose Parent Company is listed company will also require submitting quarterly returns to SEBI.**		
41		**10.2**	**On similar line, the suggestions are invited as to whether unlisted company whose parent company is a listed company should also require submitting quarterly returns to SEBI.**	No	As such listed companies are required to disclose consolidated financial results on quarterly basis and therfore for all material component they will be taking review/ audit report from respective auditors as prescribed under LODR. We suggest that regulatory overreach should be avoided.
42	**11**		**Development of a composite Audit Qulaity Index toimprove accountability of Auditors and Audit Firms.**		

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43		11.4	**Accordingly, in order to increase the quality of audit and have an objective mechanism to ascertain the quality, suggestions are invited on what qualitative and quantitative parameters should be included in such an index, how they should be measured, and which all companies should this be mandated for. What should be the thresholds for such companies?**	It is not required.	There Auditing and Accounting standrad in place to take care of quality . Under the present laws , regulators can inspect the Audit Quality and therefore there is no need to have any additional parameters.
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45	**12**		**Strengthening Deterrence of Conducting improper audit by inspection of Audit engagements**		
46		12.4	**Accordingly, suggestions are invited on feasibility and mechanism of this inspection of audit engagements, manner and basis of selection of companies for such an inspection, agency which must undertake the same, whether audit firm level inspections also may be incorporated in this etc.**	No .	Present laws are sufficient enough to deal with the audit engagement inspection. All regulators have adequate powers in this behalf. Under the Companies Act, the Auditors are already brought within the purview of class actions suits. Further, ICAI has quality Review Process and certification as well as Peer Rveiw Process in Place. Hnece separate mechanism is not required. The audit function is the most time consuming, least remunerative and considered to be the sole assurance for the economy for all perils. Any additional provisions which are perceived to be more draconian will only discourage the CAs from taking up any audit assignments.
47	**13**		**Resignation of Auditors**		

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48		13.5	**In view of above, the suggestions are invited as to whether the aforesaid conditions as laid down by ICAI and SEBI should also be made mandatory for the auditors of other companies/bigger companies?**	Such Conditions can be put mandatory in case of Companies having turnover of Rs.1000 crore and borroiwng of then Rs.100 crore.	Only such conditions be made applicable to companies that crosses certain threshold limits. Adequate safe guards should be made for payment of fees of the outgoing auditors.
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