Assurance Update

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Price Waterhouse Chartered Accountants LLP

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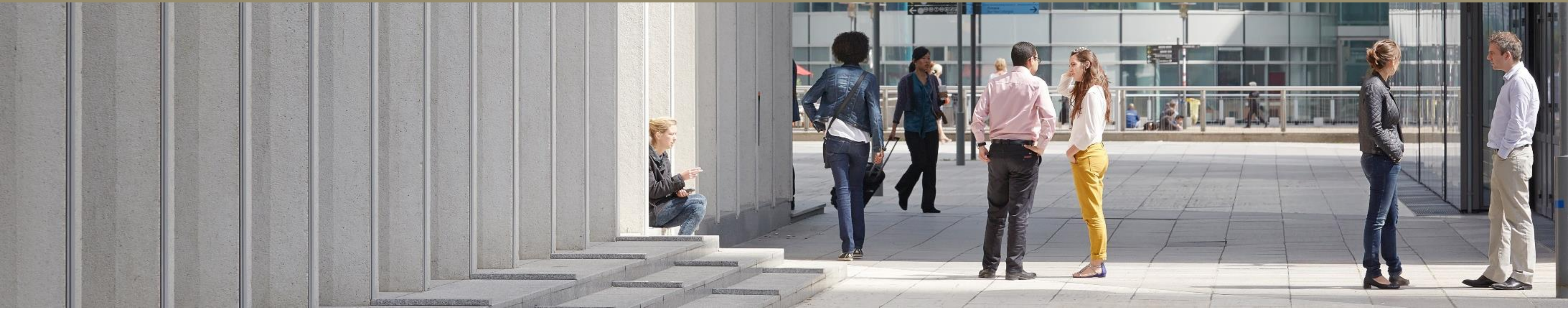


1. Beneficial Interest and Significant Beneficial Owner

Background

The provisions relating to beneficial interest and ownership were introduced in the Indian company law with a view to ensure that all *benami* holdings of shares are reported both by the *benamidaar* and the beneficial owner, by way of insertion of section 187C in the Companies Act, 1956. The expression *benami* transaction has been defined under the Benami Transaction (Prohibition) Act, 1988 as any transaction in which property is transferred to one person for consideration paid or provided by another person.

The provisions have been made more explicit in the Companies Act, 2013 (the “Act”) with the inclusion of definition of ‘Beneficial Interest’ under sub-section (10) of section 89 and the notification of Companies (Significant Beneficial Owners) Rules, 2018 (hereinafter the “SBO Rules”) and the revised section 90, vide Ministry of Corporate Affairs (MCA) notification dated June 13, 2018. These prescribe detailed requirements in respect of identification and reporting of beneficial interest and significant beneficial owners in a company i.e. the person(s) who is/are the owner(s) and is/are essentially controlling the management and affairs of the company.

Introduction of these provisions in the company law are a step further in the regulators’ endeavor in bringing transparency and combating money laundering done though *benami* holdings, preventing the misuse of corporate vehicles and identifying the source of the corporate's assets and its activities. This would allow the authorities to "follow the money" i.e. track the actual source of funds, in financial investigations involving suspect accounts/assets held by corporates.

Cos can no longer hide ‘real’ owners of stock holdings

Govt Ready With Rules To Lift Veil Of Multi-Layered Firms

TO PREVENT BENAMI POSSESSIONS

- Holdings above 10% in a company to be considered significant beneficial ownership
- Govt has mandated disclosure of all such holdings
- Idea is to find out the ultimate beneficiary, prevent benami holdings
- Move may have implications on entities where foreign shareholders get disproportionate say

The Times of India January 24, 2019

These provisions are applicable to all companies except government companies and to shares in a company held by pooled investment vehicles/ investment funds such as Mutual Funds, Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) regulated under the SEBI Act.

What is Beneficial Interest

Section 89 of the Act makes a distinction between the legal ownership and the beneficial interest in shares of a company, which vest with the registered owner and the beneficial owner, respectively. The section presupposes that the ownership of the shares vests in a person other than the person entitled to the beneficial interest. As a corollary, where the registered and the beneficial owner is the same person, the section shall not apply.

As per Section 89(10), *Beneficial interest in a share includes directly or indirectly, through any contract, arrangement or otherwise, the right or entitlement of a person <u>alone or together with any other person</u> to—*

i. *exercise or cause to be exercised any or all of the rights attached to such share; or*

ii. *receive or participate in any dividend or other distribution in respect of such share.*

In simple words, where a person has the right to enjoy the benefits of ownership of a share but who is not registered as the owner of the share, he shall be termed to be holding 'beneficial interest' in the share. The definition recognises that the rights attached to the shares of a company are separable and assignable. It covers beneficial interest in shares (directly or indirectly), but there must be some contract, arrangement or understanding between the beneficial owner and the registered owner, through which the above rights are given.

It should be noted that the definition covers beneficial interest ***<u>in a share</u>***. Hence, even if a person (who is not the registered owner) holds beneficial interest in only one share of the company making up 0.001% of the share capital of the company, he has to comply with the requirements of section 89.

Who is Significant Beneficial Owner (SBO)

Section 90 read with rule 2(e) of SBO Rules defines a significant beneficial owner as the individual (not being the registered owner) who holds ultimate beneficial interest [as defined under section 89(10)] in 10% or more in the shares of a company or who has the right to exercise or actually exercises significant influence or control over the company, and requires a declaration of interest to be made by him to the company.

It is noteworthy that the definition also envisages acquisition of significant beneficial ownership not only by shareholding but also by virtue of exercise of (or right to exercise) significant influence or control. Control has been defined u/s 2(27) of the Act to include the right to appoint majority of directors or to control the management or policy decisions exercisable by a person or persons acting in concert. Significant Influence as defined in explanation to the definition of Associate u/s 2(6) means control of at least 20% of the voting power or control of or participation in the business decisions under an agreement. Thus, a person can be an SBO even when he does not hold interest (directly or indirectly) in any shares but has participation in the decision making process of the company. Example in scenario 8 below clarifies the above discussion.

Explanation II to the definition of SBO under Rule 2(e) prescribes that the instruments in the form of global depository receipts (GDRs), compulsorily convertible preference shares (CCPS) or compulsorily convertible debentures (CCDs) shall be treated as 'shares' for the purpose of this clause. Accordingly, while computing the above percentage of 10%, the denominator shall include these instruments in addition to the Equity Share Capital of the company.

Major differences between the requirements of Section 89 and Section 90

Requirement	Section 89	Section 90
Applicability	1. Applies to beneficial interest held in a share 2. Applies to both natural and artificial persons.	1. Applies to significant beneficial owners of a company 2. SBO can be a natural person only.
Scope	Covers only if a person holds beneficial interest in share(s).	Is wider in scope as it not only covers holding beneficial interest in shares, but also the exercise of significant influence or control, with or without interest in shares.
Acquisition of beneficial interest	Beneficial Interest in a share (held by another person) is acquired through a contract or arrangement or otherwise. The term 'otherwise' should be interpreted in consonance with the terms 'contract' or 'arrangement' used before it.	In addition to beneficial interest acquired as per section 89(10), Significant Beneficial Ownership can also be acquired through shareholding or through the right to exercise significant influence or control.
Threshold limits	No thresholds given, declarations to be made in respect of beneficial interest in a share, however small it may be in relation to the size of the company.	SBO has been defined to be the person holding ultimate beneficial interest of not less than 10%.
Meaning of shares	The section applies to beneficial interest in a share, hence both equity as well as preference shares shall be considered for the purpose of determining requirement of making declaration.	Ownership interest in a company is obtained only through the shares which also give voting rights to the holder. Accordingly, it is only the equity shares that should be considered. However, in accordance with the explanation to Rule 2(e) of the SBO Rules, CCPSs, CCDs and GDRs shall also be considered as 'shares' for the purpose of identification of SBO u/s 90.
Applicable rules	Companies (Management and Administration) Rules, 2014 [MGT Rules]	Companies (Significant Beneficial Owners) Rules, 2018 [SBO Rules]
Responsibility	Both the registered owner as well as the beneficial owner are required to make declaration of beneficial interest to the company.	The primary obligation of disclosure of significant beneficial ownership interest is that of all natural persons who hold such interest directly and indirectly, regardless of their domicile or residency status. The section presumes that the beneficial owner is different from the registered owner, hence only the SBO is required to make declaration.

Requirement	Section 89	Section 90
Compliances to be made		
- by the registered owner (RO)	Declaration to the company in Form No. MGT-4 within 30 days from his name being entered in the register of members or from the date of any change in the beneficial interest. [Rule 9(1) of MGT Rules]	No requirements mandated
- by the beneficial owner (BO)	Declaration to the company in Form No. MGT-5 within 30 days from acquiring the beneficial interest or from the date of any change in the beneficial interest. [Rule 9(2) of MGT Rules]	Declaration to the company in Form No. BEN-1 within 30 days from acquiring the significant beneficial interest or from the date of any change in the beneficial interest. [Rule 3(2) of SBO Rules].
- by the company	1. Make note in the register of members [section 89(6)] 2. File a return in Form No. MGT-6 with the ROC within 30 days from receipt of any declarations from RO or BO. [Rule 9(3) of MGT Rules]	1. Maintain a register of SBO in Form No. BEN-3 [Rule 5(1) of SBO Rules]. 2. File a return of SBOs in Form No. BEN-2 with the ROC within 30 days of receipt of declaration from the SBO [section 90(4) and Rule 4 of SBO Rules]
Consequences of default		
- by the registered owner (RO)	Monetary penalty [section 89(5)]	NA – as there are no obligations
- by the beneficial owner (BO)	1. Monetary penalty [section 89(5)] 2. No right to claim any benefits in respect of the shares [section 89(8)]	1. Stringent monetary penalty and/or imprisonment upto one year [section 90(10)] 2. Liable to action u/s 447 relating to punishment for fraud in case of willful furnishing of incorrect information or suppression of material information [section 90(12)]
- by the company	Monetary penalty for the company as well as every officer of the company who is in default [section 89(7)]	Stringent monetary penalty for the company as well as every officer of the company who is in default [section 90(11)]
Maintenance of Register by the Company	No separate register to be maintained. The company to take note in the Register of Members on receipt of declarations by either the RO or BO	Separate register of significant beneficial owners to be maintained in Form No. BEN-3 for declarations made under this section. [Rule 5(1) of SBO Rules].
Powers and duties of the company	No specific powers given or duties imposed	Company obligated to demand declarations. Refer FAQ 3 below for the rights and responsibilities of the company under section 90(5) to 90(9) and Rule 6 of SBO Rules.

Requirements for Listed Companies

In addition to the above discussed provisions of the Act, all listed companies are also required to make disclosures in respect of significant beneficial ownership in the shareholding pattern to the stock exchanges in accordance with SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000149 dated December 7, 2018, in the format prescribed therein. The format broadly covers the details of the significant beneficial owner, the registered owner, particulars of the shares in which the significant beneficial owner holds beneficial interest and the date of acquisition of such interest. This circular also refers to the Companies (Significant Beneficial Owners) Rules, 2018 and has specified the requirements in the interest of transparency to the investors in the securities market. This circular shall come into force with effect from the quarter ended March 31, 2019.

The aforesaid requirements have been incorporated in SEBI Circular No. CIR/CFD/CMD/13/2015 dated November 30, 2015 issued under Regulation 31 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), which required various disclosures in relation to holding of specified securities of the listed entity to be made to the stock exchanges within the following timelines -

one day prior to listing of its securities on the stock exchange(s);

on a quarterly basis, within twenty one days from the end of each quarter; and,

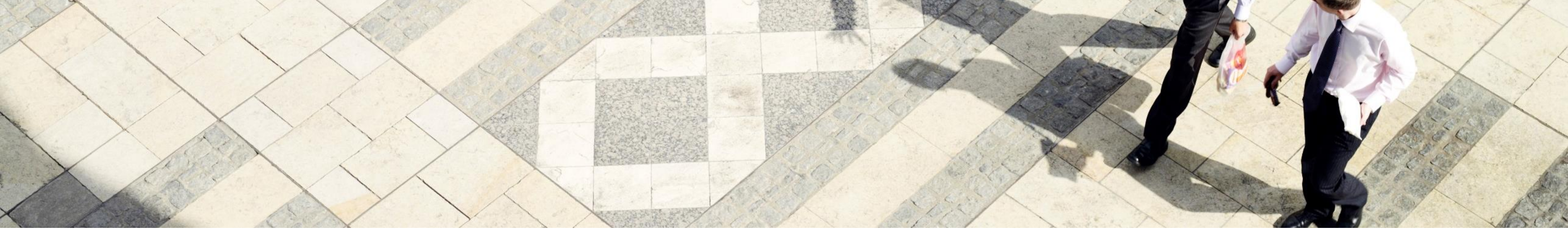
within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital.

Challenges to Compliance

Explanation to Rule 2(e) of the SBO Rules prescribes to treat compulsorily convertible preference shares (CCPS) and compulsorily convertible debentures (CCD) as "shares" for the purpose of that clause. However, it is not clear as to how the percentage threshold should be calculated in case these instruments are convertible on the basis of a variable, the value of which shall be determined on a future date (e.g. the market price of share on the date of conversion).

To determine the natural persons who hold 'ultimate' control over companies as per the SBO Rules requires piercing through the corporate veil of non-individual shareholders (being juridical persons), which may not be practically possible always, specifically in case of complex and multiple layered holding structures.

The article has prepared on matters of general interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.



2. The key to Board effectiveness

The 9 questions you need to ask to take your board from good to great

Directors face high expectations from shareholders and others regarding their performance. But boards only meet a limited number of times each year, and their agendas are increasingly crowded. Efficiency is critical for a well-functioning board. Here, we offer insights into leading practices that can maximize board effectiveness.

Introduction

Creating a truly effective board doesn't happen by accident.

From selecting the right people, to running crisp meetings, to fostering good working relationships with management and one another—boards are tasked with many decisions that impact how well they function. Over time, boards fall into routines for how they operate. But how many regularly look at their governance practices to see if they are as good as they could be? If your board is ready to make some improvements, start by asking the following nine questions

1. What skills or attributes are we missing?
2. How could our pre-meeting materials be improved?
3. Do we have strong board and committee leadership?
4. Are we making good use of executive sessions?
5. How well are our committees functioning?
6. How effectively are we engaging with management?
7. Are we getting our agenda right?
8. Are we staying current?
9. How do we get more value from our performance assessments?

1. What skills or attributes are we missing?

Before getting to the difficult work of board oversight, you need to be comfortable that the right people are in the room. That means directors with the skills, experience and diversity of perspective needed to oversee your company. Leading boards evaluate the skills and attributes of each director to get a holistic view of any gaps in board composition. If there are gaps, the board can add additional expertise or call in outside experts. Boards should also be looking at other important factors, including director tenure, age and board size, and intangibles like director personalities—all of which are critical to board composition.

Keys to effectiveness: Board composition

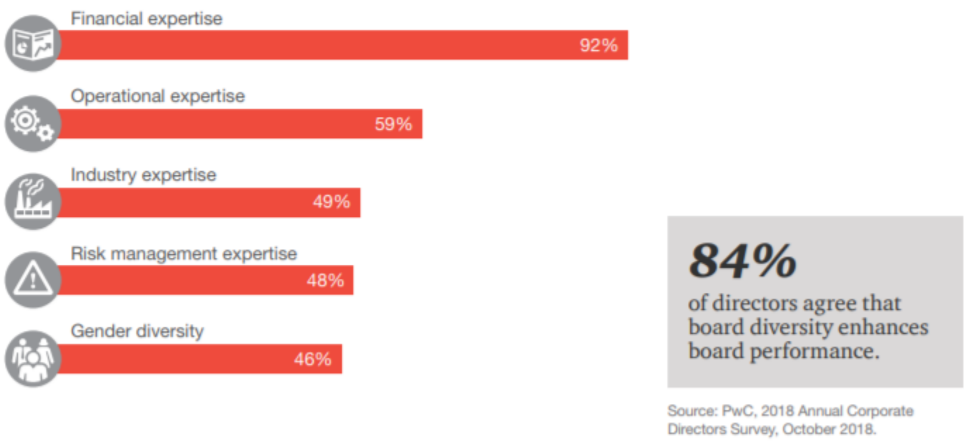
Don't settle for deep, narrow expertise It's generally not a good idea to add a director with the sole purpose of acquiring a singular skill set (e.g., cyber). Directors need to be able to contribute in all areas of board oversight. In addition to specific individual strengths, make sure director nominees have broad business experience and the ability to ask the right questions of management. The board can always engage outside advisors for deeper insights into more specialized areas.

Use a multi-year skills matrix to plan for board succession. Many boards use composition matrices to help them evaluate their skills and attributes as part of their board succession plan. Forward-looking boards take a longer-term view—focusing three to five years out—to address long-term needs. They use multi-year skills matrices to look at all directors—their skill sets and expertise, and the year they would likely be leaving the board based on retirement, tenure and other factors. This broader view gives the nominating and governance committee ample time to effectively plan and recruit the right candidates and have a smooth transition. It's important that the nominating and governance committee approach board succession planning in a transparent way. This includes bringing the full board up to speed about their deliberations.

Stop using an ad hoc approach to board succession. Anticipating and proactively addressing planned and unplanned vacancies in the boardroom are key parts of strategic succession planning. Without a multi-year plan, the board may feel pressure to waive or change board policies—including mandatory retirement ages—or simply recruit a director with the same profile as the one departing.

Temporarily upsize to get the diversity the board needs Increasing board diversity doesn't necessarily mean replacing high-performing directors. Consider temporarily increasing your board size to add diverse perspectives sooner rather than later. You can always downsize the board as other directors depart.

Despite increased discussion around cybersecurity and technology expertise, directors still say that financial, operational and industry expertise are the most important attributes to have on their boards. Gender diversity was also rated highly.

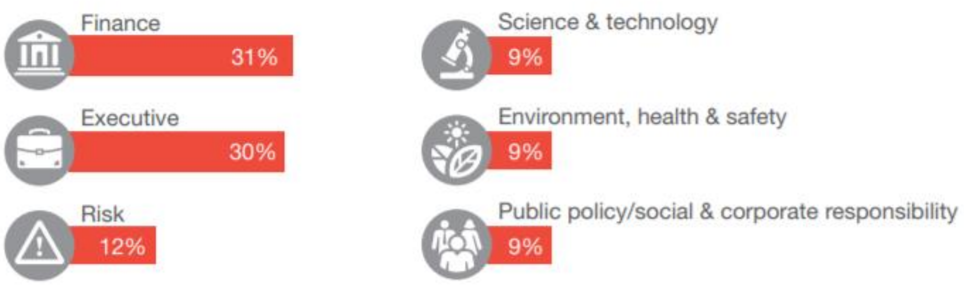


Q: How would you describe the importance of having the following skills, competencies or attributes on your board? Response: Very important
Base: 706-714
Source: PwC, *2018 Annual Corporate Directors Survey*, October 2018.

2. How well are our committees functioning?

On average, S&P 500 boards have about four standing committees.1 Most public companies have audit, compensation, and nominating and governance committees. Some companies also choose to form additional standing committees, such as risk, technology or finance. There is no one-size-fits-all approach for structuring board committees. Determining which committees make sense will depend on stock exchange and regulatory requirements, the sector in which the company operates and the specific business issues facing the company. But once you've decided on which committees are appropriate, remember to update your committee charters. Charters are public documents that define the roles and responsibilities of the committee. To ensure your committee meetings cover everything stated in the charter, make sure each of the charter responsibilities are mapped to your meeting agendas—so that nothing slips through the cracks.

Board committees at S&P 500 companies (other than audit, compensation and nominating/governance.)



Note: 100%, 99.8% and 99.4% of S&P 500 companies had audit, compensation and nominating and governance committees, respectively.
Source: Spencer Stuart, *2018 United States Spencer Stuart Board Index*, November 2018.

Keys to effectiveness: Board committees

Periodically reassess risk oversight allocation. Ensure all key risks identified in the company's risk assessment process and public disclosures are allocated to either a specific committee or the full board. But be sure to revisit those assignments periodically, and don't be afraid to shift the allocation if it makes sense.

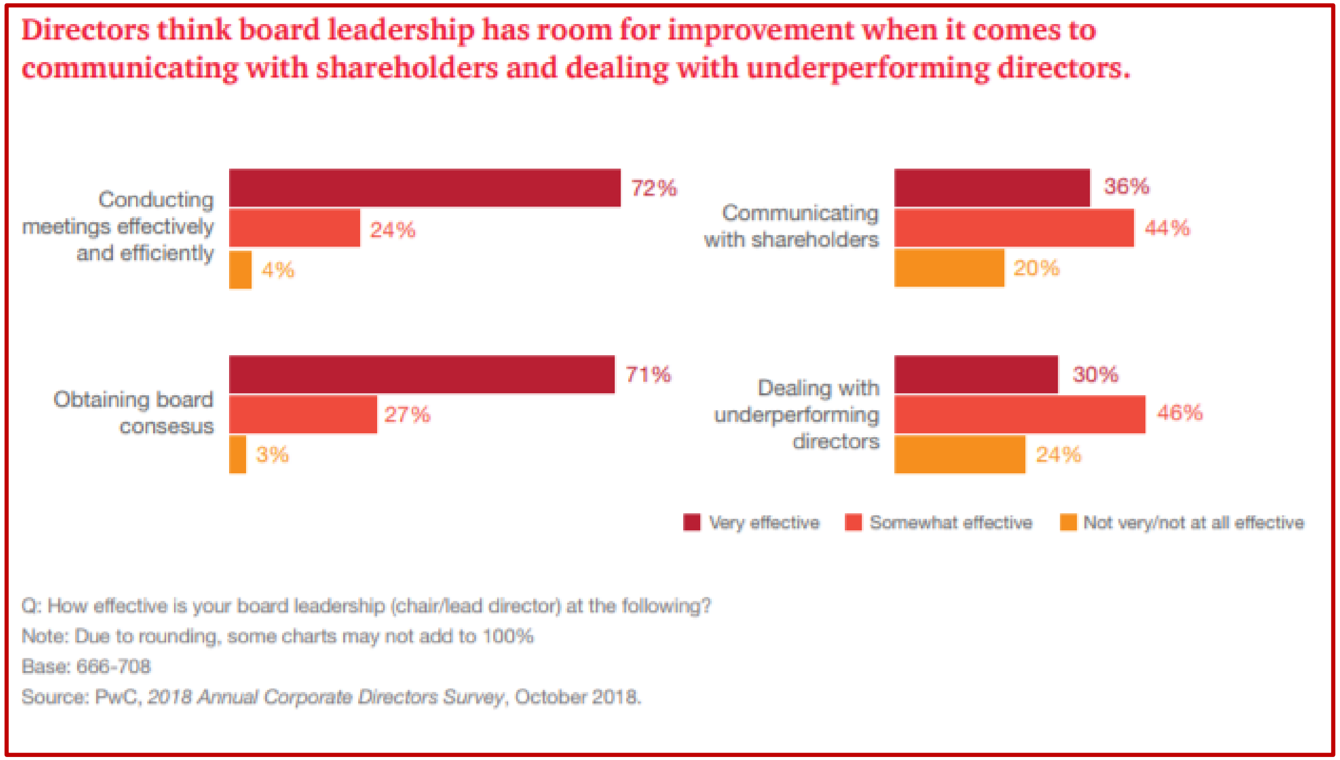
Be smart about cross-committee service and committee member rotation. Having at least one director who sits on related committees (such as audit and compensation) is a leading practice. But that requires committee meetings to be scheduled in a way that allows directors to attend both. And don't forget to keep an eye on directors' workloads when making committee assignments to ensure they have capacity. In terms of rotating committee membership, boards take both formal and informal approaches. It's typically good practice to begin considering rotation after about five years of committee service.

Prioritize crisp committee readouts. Effective committee chair reporting is critical to keeping the full board informed. Use committee readouts to highlight any areas of disagreement among committee members and/or management. Effective readouts focus on areas the committee is dealing with for the first time, the status of major projects, and any areas that required significant debate or judgment. Periodically, look for feedback on how effective committee readouts are. Are they focused? Are key messages getting across? Also, think about where committee readouts fall on the agenda. If they are always toward the end, they may not be getting the attention they deserve. Some boards intentionally schedule them closer to the beginning of meetings.

Create new committees very selectively. A committee is not necessary in every area of board oversight. Boards should weigh the time required to staff the committee, have meetings and present committee reports. Some areas may be more efficiently dealt with by a smaller group, others may really need the full board's attention. For example, many boards debate whether they should form a stand-alone risk committee.Directors first have to think through how they currently oversee risk—and whether a separate committee would make that process more effective. Are there better ways to address the challenges of risk oversight without creating a separate committee? This same thought process applies to the creation of other new committees as well.

3. Do we have strong board and committee leadership?

Effective board leaders drive the board's relationship with management, conduct efficient meetings, solicit dissenting views and build consensus. While many S&P 500 CEOs also serve as board chair, it is a less prevalent practice today (50%) than a decade ago (61%).3 When the role isn't split, a lead independent director generally takes on many of the independent chair's typical responsibilities. No matter who leads the board or committee, that person needs integrity and a clear vision for the board's role. He or she must be able to facilitate important discussions among board members, ensure all voices are heard and deliver difficult messages. And he or she must be open to feedback and commentary on their leadership approach from other committee members. Board leaders also have to cultivate effective working relationships with management and third parties, like external auditors. And during times of crisis (e.g., unexpected changes in key management roles, internal investigation) board leaders may be called to take on additional responsibilities. So flexibility and strong relationship skills are critical.



Keys to effectiveness: Board leadership

Be ready and willing to deliver tough messages. Being able to deliver unpopular or difficult messages is critical to effective board leadership. These messages might be to the CEO, management team or fellow board members. A strong leader focuses on building strong relationships with the management team and others. That way, when it comes time to deliver difficult or unpopular messages, the groundwork is already in place to make it a constructive dialogue.

Have "camera-ready" board leadership for shareholder engagement. Board leadership is increasingly being asked to engage directly with institutional investors. And our research finds this is an area in which some board leaders could improve their performance. This type of engagement requires specific skills that not every director possesses. It's critical that boards identify which directors are well-positioned to participate in shareholder engagement—and then adopt formal protocols and training around the process.

Have your next board and committee chairs in waiting. Boards need to take a proactive approach to planning for board leadership succession. They also need to take into account regulatory requirements—such as independence and financial expertise on audit committees—that need to be considered when addressing committee leadership succession. Many boards identify successors at least a year in advance, and may use a shadow program to facilitate a smooth transition.

Clearly define board leadership's role in a crisis. From an unexpected CEO departure to a shareholder activism campaign to a cyber breach, boards are often faced with crisis situations. In these situations, the response of board leadership can make all the difference. Use the board's annual performance assessment and crisis management planning discussions to have a dialogue about board leadership's role in a time of crisis.

4. Are we getting our agenda right?

Boards need to ensure that their time is spent wisely. In 2017, directors spent an average of 245 hours related to their role, including reviewing materials, attending meetings and working with management. On average, boards meet about nine times a year for approximately six hours. And we've observed that board meetings are lasting even longer than in the past. How can boards make sure they are making the most of those hours?

Some boards hold pre-meetings, typically via telephone. These meetings can be used to discuss key points from the pre-read materials before the formal meeting. Pre-meetings can also give directors an opportunity to highlight concerns or specific points of focus for discussion with management. If there is a significant event or discussion (e.g., CEO change, significant transaction), the chair might call each director individually to gauge everyone's thoughts before the meeting.

The CEO and board leader should also meet in advance of the full board meeting to develop the agenda and identify topics that could involve a challenging discussion or important decision. Additionally, committee chairs should meet in advance with management and/or third parties (e.g., external auditors) to discuss important items so that the agenda time can be best utilized during the full meeting.

Keys to effectiveness: Board agenda and time management

Own the board agenda Boards can fall into the trap of letting management have too much influence on the board agenda. Effective boards take ownership and drive the agenda while still involving management in a constructive way. Be more deliberate with the agenda structure. Include suggested time allotments to keep the meeting on track, and indicate what action is expected from the board.

Save time on recurring items with a "consent" agenda. Consent agendas group routine items together for simultaneous approval by the board. These items typically don't require significant discussion, and the board can then be freed up to focus on the most important issues.

Allow for unstructured time. This is helpful in the event a discussion runs long or if another important matter is raised. There may be times when a discussion extends past the allotted time on the agenda but the board wishes to continue to resolution or at least until they reach agreement on next steps. When this happens, having a buffer of time may help prevent other agenda items from being hurried or deferred.

Carefully consider the order of topics to be covered. Be thoughtful about which topics are scheduled last. Don't save the most important items until the end of the meeting. Time is usually compressed by then and participants are likely tired.

Take a fresh look at meeting minutes. Meeting minutes should capture the essence of the meetings—but should not be a transcript. Make sure the minutes appropriately reflect the board's level of engagement. The draft minutes should be distributed as quickly after the meeting as possible while the discussions are still fresh in everyone's minds.

5. How could our pre-meeting materials be improved?

Directors spend about 50 hours annually reviewing management materials. How much of that time is spent trying to evaluate the most important takeaways? Board materials should be tailored so that directors can focus on the critical messages. Supplying too much information or providing data without guidance wastes time and can result in frustration. Boards should request that management presentations feature an executive summary. Depending on the situation, it may also be useful to ask management to include critical questions or specific areas of focus for the board to think about as they review the materials. Using dashboards is a great way to avoid text-heavy presentations. Ultimately, pre-read materials should give directors the information they need to enter the boardroom ready for discussion.

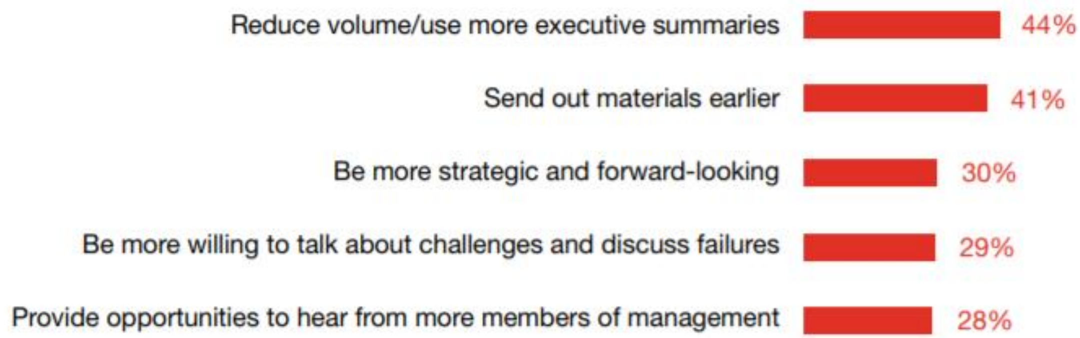
Keys to effectiveness: Pre-meeting materials

1. Ensure that board materials are customized
2. Pre-read materials should anchor board meeting discussions, not dominate them
3. Give management feedback on the quality and timeliness of their materials
4. Request red-lined documents to focus on changes. Disclosure information (e.g., proxy statements, annual and quarterly filings) should be red lined so that the board can review it with a focus on period over period changes.
5. Have management use a presentation template.

Strategic planning and cybersecurity are areas where directors say their boards should dedicate the most additional time and focus.

Q: Should your board change the amount of time it spends on any of the following areas?
Note: Due to rounding, some charts may not add to 100%
An additional 1% responded with "Less time and focus" to "IT/digital strategy," "CEO succession planning" and "Risk assessments and risk management."
Base: 850-859
Source: PwC, *2017 Annual Corporate Directors Survey*, October 2017.

Boards want less volume in their pre-read materials and more lead time.



Q: Which of the following changes would you like to see management make to their board presentations/materials? (select all that apply)
Base: 708
Source: PwC, *2018 Annual Corporate Directors Survey*, October 2018.

6. How effectively are we engaging with management?

A good rapport with management is essential. And the foundation of that rapport is trust. This trust is a critical element to fostering candid dialogue. Board meetings provide a unique opportunity to engage directly with the management team. But since these interactions are condensed, it's important for boards to prioritize finding ways to strengthen these relationships, while still being able to challenge management and pose tough questions.

Keys to effectiveness: Engaging with management

1. Interact with a wider group of executives.
2. Change the setting to change the dynamic
3. Develop relationships with management outside of the boardroom.

7. Are we making good use of executive sessions?

Executive sessions are portions of the board meeting attended only by nonexecutive/independent directors. These meetings allow directors to freely discuss issues and concerns without anyone from the company management team present—and this includes the CEO. A well-executed executive session also provides an opportunity for directors to reflect on what went well at a meeting and where they would like to focus their attention going forward.

Keys to effectiveness: Executive sessions

1. Reconsider when you schedule executive sessions.
2. Come with an agenda and specific questions.
3. Ensure key messages are communicated afterwards.

8. Are we staying current?

Considering the pace of change, it's critical for boards to stay current on technological, industry and corporate governance trends. And one of the best ways to do that is by getting perspectives from outside the boardroom. What are analysts saying about the company? What topics are being discussed at industry conferences? What trends are local and national governance organizations focused on? Effective boards regularly hear from external parties to better understand issues relevant to their company.

Directors devote an average of 20 hours to continuing education annually. Staying current can be accomplished through peer networking, soliciting outside views and deep-dive sessions with management on particular topics. While some boards mandate and provide budgets for external continuing education, others informally encourage it. Either way, continuing education should regularly find its way onto the agenda of board and committee meetings.

Keys to effectiveness: Staying current

1. Make continuing education a part of every board meeting.
2. Prioritize the most important education topics
3. Invite outsiders in for a broader view.

9. How do we get more value from our performance assessments?

Directors continue to be critical of their peers. Our research found that 45% of directors believe someone on their board should be replaced. But annual turnover on boards is typically under 8%. Is that because boards aren't leveraging their annual performance assessments to identify and deal with underperforming directors?

Too many boards view their annual performance assessment as a compliance exercise. But a better model turns the assessment into ongoing feedback with the goal of continuous improvement. This requires boards to re-envision their goals, assessment tools, processes and board leadership's approach to providing ongoing feedback. Once the board puts an effective process in place, it's critical to ensure that issues identified in the assessment are addressed.

Don't be afraid of individual assessments

Address the elephant in the room. Boards should be able to have frank (and sometimes difficult) discussions about what is holding back their performance. But this requires being truly honest with your feedback. Ensure board leadership schedules time with each director to discuss board, committee and individual director performance.

Consider giving stakeholders more insights into your process. Some boards are taking a closer look at voluntary disclosure about their board assessments—seeking to provide stakeholders with a greater understanding of their process. Shareholder engagement in this area has risen, and leading boards are taking steps to be more transparent.

Conclusion

There are many factors that can help drive effective board performance. And there are no "one-size-fits-all" answers. We hope you use the questions and tips outlined here as a springboard for ongoing dialogue between your board and management team.

This article has been adapted from the PwC publication 'The 9 questions you need to ask to take your board from good to great'

The article has been prepared on matters of general interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

https://www.pwc.com/us/en/services/governance-insights-center/library/9-questions-to-take-your-board-from-good-to-great.html

3. Interim Budget 2019-2010: Key highlights

While the global economy is battling with strong headwinds, India's economy is seeing a robust growth and is on the path to emerging as one of the fastest growing economies in the world. The Finance Minister has presented the Interim Budget 2019. This article provides an overview of key announcements and proposals made in the Interim Budget and its likely impact.

Sectoral Highlights

Micro, Medium and Small Enterprises (MSMEs)

- 2% interest rebate for MSMEs registered under GST for loans up to INR 1 crore
- Requirement of sourcing by government enterprises from SMEs increased up to 25%, of which, at least 3% to be sourced from women-led SMEs
- Government E-procurement Marketplace (GeM) platform extended to Central Public Sector Enterprises

Implications:

Provisions relating to interest rebate will encourage more MSMEs to register under GST, which will promote compliance under GST, expand the tax base and boost formalisation of the economy.

Improved access and the reduced cost of credit will lower organisations' production costs and make them more competitive. With the implementation of the GeM platform, MSMEs will have access to a larger market.

Real estate/Construction

In the Affordable Housing sector, benefits under Section 80-IBA of the IT Act were extended by a year for projects approved till March 2020. This will allow Real Estate developers to deduct 100% of profits derived from development of affordable housing projects.

Implications:

Extension of benefits in the real estate sector will give a boost to construction activity, particularly in affordable housing. Exemption from levy of tax on inventories is likely to encourage investment in the sector.

From the consumers' point of view, benefits of rollover in capital gains and exemptions on income tax on rent will boost housing demand, and is also expected to increase investments in a second house.

Agriculture/Farm sector

- Total allocation for the Agriculture sector has seen an increase of 73% over 2018-19 (Revised estimate).
- The Government announced the Pradhan Mantri Kisan Samman Nidhi (PMKISAN) scheme, which will provide a guaranteed income of INR 6,000 per year to small and marginal farmers. This will involve an annual outlay of INR 75,000 crore, which is around 0.36% of the GDP (2019-20 Budget estimate).
- Interest subvention of 2% was announced for farmers affected by natural calamities.

An additional 3% relaxation will be given for timely repayment of loans. This scheme has also been extended to farmers engaged in animal husbandry and fishery-related activities, and availing loans through Kisan Credit Cards.

Implications:

The announcement about financial support will provide some relief to farmers and will address to some extent issues faced in the farm sector. Interest subvention schemes will improve the credit uptake and address farmers' loan related stress. Overall, the announcement for the farm sector is expected to boost rural consumption and demand.

Social security for workers in the unorganised sector

The Pradhan Mantri Shram-Yogi Maandhan Yojana has been announced for workers in the unorganised sector with a monthly income upto INR 15,000.

The scheme will provide them with an assured monthly pension of INR 3,000. The scheme is contributory and the government will make a matching contribution.

Implications:

The scheme will provide old age social security and encourage savings among unorganised sector workers. Increased enrolment should lead to further formalisation of the economy.

Key tax proposals

Personal Taxes

While there are no changes proposed in personal Income Tax rates and slabs, the Government has made certain key proposals to provide relief to small taxpayers, especially to middle class and salaried earners in the form of:

• Rebate on tax for total income of up to INR 5,00,000 for individuals

• Increase in standard deduction from INR 40,000 to INR 50,000 for salaried employees

• Relief for owners of more than one house; second self-occupied house not to be subject to tax on deeming/notional basis; aggregate deduction of interest on home loan for self-occupied properties retained at INR 2,00,000

• Prescribed monetary threshold for deduction of tax on interest from bank or Post Office deposits increased from INR 10,000 to INR 40,000

• Proportionate exemption on long-term capital gains arising from proceeds of sale of residential house extended to purchase of two residential houses from one house, subject to:

– Amount of capital gain not exceeding INR 2 crore [no monetary threshold

continues for investment in one residential house]

– One-time opportunity to claim such exemption

Corporate Taxes

Domestic companies with a turnover not exceeding INR 250 crore during FY 2016- 17 continue to enjoy a reduced tax rate of 25% (increased by applicable surcharge and cess). The base year for this reduced tax rate is proposed to be extended to domestic companies with turnover not exceeding INR 250 crore for FY 2017-18.

The provisions relating to TDS on rental payments provide for a monetary threshold of INR 1.8 lakh. This threshold has been enhanced to INR 2.4 lakh.

Certain key amendments have been proposed in the Interim Budget to provide relief and give an impetus to the Real Estate sector, including the affordable housing market:

• The provisions were introduced vide Finance Act 2017 to tax notional income on rentals from property held as stock-in-trade for a period beyond one year from the end of the financial year in which the certificate of completion of property was obtained. This period of holding is proposed to be increased to two years.

• Under the present provisions, deduction on profits is available to developers who are engaged in developing and building affordable housing projects. One of the conditions, i.e. the time taken to seek approval for a project from the competent authority, is proposed to be extended to 31 March 2020.

• The Government envisages a push towards technology-intensive tax assessments and return processing within the next two years. This is directed towards eliminating personal interface and bringing transparency.

Indirect Taxes

The Government has estimated the CGST collection for FY 2019-20 at INR 6.10 lakh crore. This assumes a growth of around 20% over the revised estimate FY 2018-19 at INR 5.04 lakh crore.

Given that overall growth in GST collection in the current year over last year is only 8% (INR 97,100 crore vs INR 89,700 crore on a month-on-month basis), it will be interesting to see how this ambitious target is achieved by the Government.

It will need substantial expansion in the tax base and stringent control over revenue leakages.

Stamp Duty

The proposed amendments in stamp duty provisions are largely aimed at rationalizing the various stamp duty provisions as well as streamlining the stamp duty collection

mechanism. It is intended to designate stock exchanges and depositories to collect stamp duty on sale or transfer of securities. Such collection will be transferred to the respective state government within the prescribed time. The amendments also propose changes to the rates of duties.

It also appears that exemption of stamp duty on transfer of dematerialised shares is proposed to be done away with.

In summary

The thrust of this Budget was on social infrastructure, ease of living and technology led governance aimed at inclusive and equitable growth.

The salaried class with taxable income of up to INR 5 lakh will have higher disposable incomes. Direct Benefit Transfer to farmers will support rural demand.

The Pradhan Mantri Shram-Yogi Maandhan Yojana will provide social security to a large number of marginal wage earners in the country.

The Real Estate sector will see more activity and the allied sectors of steel and cement will get a boost. With enhanced spending and direct benefit transfers, there is an obvious concern about inflationary pressures.

However, given that capacity utilisation is still around 70%, we believe that expectations of inflationary pressure will be muted.

The Government's vision to create a tech-enabled tax system is a welcome initiative. In all, this Budget has set the tone for considerable future discourse.

This article has been extracted from the PwC publication 'Interim Budget 2019-20 - Highlights and boosters '

https://www.pwc.in/assets/pdfs/budget/2019/interim-budget-2019-highlights.pdf

The article has been prepared on matters of general interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

4. A comparison between KAM and CAM

The New Auditor's Report

Introduction

This article focuses mainly on the IAASB's concept of Key Audit Matters (KAM), as set out in ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report, and the PCAOB's concept of Critical Audit Matters (CAM).

The IAASB and PCAOB have taken similar approaches to enhancing the auditor's report, by providing greater transparency to investors and others about audit-related matters and building on the two-way communications throughout the audit with those charged with governance (TCWG) (e.g., the audit committee)

Comparison in approach

Under the IAASB Standards, auditors of financial statements of listed entities are required to communicate KAM in the auditor's report. Law, regulation or auditing standards in a particular jurisdiction may extend the requirement to communicate KAM to other entities, such as public interest entities (PIEs), public sector entities, entities in a particular industry, or all entities. The IAASB Standards also allow for auditors to communicate KAM on a voluntary basis for entities other than listed entities in the absence of a requirement to do so. The PCAOB Standard requires CAM to be communicated in the auditor's report for audits conducted under PCAOB standards, except for:

• Audits of brokers and dealers reporting under Rule 17a-5 of the Securities Exchange Act of 1934;

• Investment companies registered under the Investment Company Act of 1940 (other than business development companies);

• Employee stock purchase, savings, and similar plans; and

• Emerging growth companies as defined in Section 3(a)(80) of the Exchange Act.

Definition

IAASB Standards

Key Audit Matters:

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance

PCAOB Standard

Critical Audit Matter:

Any matter arising from the audit of the financial statements that was communicated or required to be communicated to the audit committee and that:

• Relates to accounts or disclosures that are material to the financial statements, and

• Involved especially challenging, subjective, or complex auditor judgment.

Determining Whether a Matter Is a KAM / CAM

KAM should be specific to the entity and the audit in order to provide relevant and meaningful information to users.

Therefore, ISA 701 includes a two-step process using a judgment-based decision making framework to help auditors determine which matters, from those communicated with TCWG, are KAM.

This decision-making framework was developed to focus auditors on areas of the financial statements that involved the most significant or complex judgments by management and areas of auditor focus in accordance with the risk-based approach in the ISAs.

The framework for determining CAM under the PCAOB Standard is similar to the IAASB Standards and starts with those matters communicated or required to be communicated to the audit committee. As defined, a CAM also relates to accounts or disclosures that are material to the financial statements.

Considerations in Determining Whether a Matter Is a KAM / CAM

Table 1 below shows the requirements of the IAASB Standards and the PCAOB Standard. For the most part, the specific factors and other considerations underlying the auditor's determination of which matters are KAM / CAM are similar under both approaches. In addition to the factors in the table that the auditor is specifically required to take into account in determining KAM, ISA 701 provides a substantial amount of guidance to support the auditor's decision-making process.

Documentation

Because the determination of KAM / CAM is linked to principles-based requirements and relies on auditor judgment, both the IAASB and PCAOB have set out specific requirements to assist auditors in documenting those important judgments. However, these requirements differ in terms of the matters for which such documentation is required. The IAASB Standard requires documentation of the matters that required significant auditor attention, and the rationale for the auditor's determination as to whether or not each of these matters is a KAM.

Under the PCAOB Standard, for each matter arising from the audit of the financial statements that was communicated to the audit committee and relates to accounts or disclosures that are material to the financial statements, the auditor must document whether or not the matter was determined to be a CAM and the basis for such determination.

Communication of KAM / CAM

The number of KAM / CAM that will be communicated in the auditor's report may be affected by the complexity of the entity, the nature of the entity's business and environment, and the facts and circumstances of the audit engagement.

Under both approaches, it is expected that there will be at least one KAM / CAM communicated by the auditor in the auditor's report.

However, the IAASB and PCAOB acknowledge that there may be circumstances where there are no KAM / CAM to report, and both require inclusion of a statement to that effect in the auditor's report in such cases.

The IAASB and PCAOB require the communication of KAM / CAM only for the audit of the current period. Guidance in ISA 701 indicates that it nevertheless may be useful for the auditor to consider whether a KAM in the prior period continues to be a KAM in the audit of the current period.

The PCAOB Standard notes that the auditor may communicate CAM relating to a prior period and includes examples of circumstances when this may be appropriate.

The PCAOB acknowledges that the auditor is not expected to provide information about the company that has not been made publicly available by the company unless such information is necessary to describe the principal considerations that led the auditor to determine that the matter is a CAM or how it was addressed in the audit. The IAASB and PCAOB preclude the communication of KAM/CAM when the auditor disclaims an opinion on the financial statements. The PCAOB does not permit the communication of CAM when the auditor expresses an adverse opinion, whereas the IAASB requires the communication of KAM despite the adverse opinion.

Requirements in Determining KAM / CAM (Table 1)

IAASB Standard (KAM)	PCAOB Standard (CAM)
The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following: (a) Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with ISA 315 (Revised).6 (b) Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty. (c) The effect on the audit of significant events or transactions that occurred during the period. (Paragraph 9 of ISA 701) The auditor shall determine which of the matters determined in accordance with the requirement above were of most significance in the audit of the financial statements of the current period and therefore are the key audit matters. (Paragraph 10 of ISA 701)	In determining whether a matter involved especially challenging, subjective, or complex auditor judgment, the auditor should take into account, alone or in combination, the following factors, as well as other factors specific to the audit: (a) The auditor's assessment of the risks of material misstatement, including significant risks; (b) The degree of auditor judgment related to areas in the financial statements that involved the application of significant judgment or estimation by management, including estimates with significant measurement uncertainty; (c) The nature and timing of significant unusual transactions and the extent of audit effort and judgment related to these transactions; (d) The degree of auditor subjectivity in applying audit procedures to address the matter or in evaluating the results of those procedures; (e) The nature and extent of audit effort required to address the matter, including the extent of specialized skill or knowledge needed or the nature of consultations outside the engagement team regarding the matter; and (f) The nature of audit evidence obtained regarding the matter. Note: It is expected that, in most audits, the auditor would determine that at least one matter involved especially challenging, subjective, or complex auditor judgment. (Paragraph .12 of the PCAOB Standard AS 3101)

Descriptions of KAM / CAM in the Auditor's Report

Under the IAASB and PCAOB approaches, the description of a KAM / CAM is intended to provide a succinct and balanced explanation about the matter that is tailored to the audit. [Refer table 2]

This is meant to avoid standardized language and to reflect the specific circumstances of the matter, while limiting the use of highly technical accounting and auditing terms.

The IAASB notes that the level of detail in the description of each KAM is a matter of professional judgment, and may vary depending on the specific facts and circumstances of the particular engagement.

Regarding CAM, the PCAOB indicates that the descriptions should be at a level that users would understand and further notes that the objective is to provide a useful summary and not to detail every aspect of how the matter was addressed. The IAASB and PCAOB are of the view that flexibility is important to enable auditors to be as entity-specific and audit-specific as possible in the description of a KAM / CAM, in order to mitigate concerns from users that communication of KAM / CAM could quickly result in more standardized or "boilerplate" communications.

Introductory language is required to be included under both the IAASB and the PCAOB approaches to give context to readers of the auditor's report, which explains what is considered to be a KAM / CAM and that the auditor is not providing discrete opinions on separate elements of the financial statements (a "piecemeal opinion")

ISA 701 provides further guidance for auditors in providing insight into the audit through the description of how the matter was addressed in the audit, by explaining, for example,

(i) a brief overview of the procedures performed,

(ii) key aspects of the auditor's response or approach, or

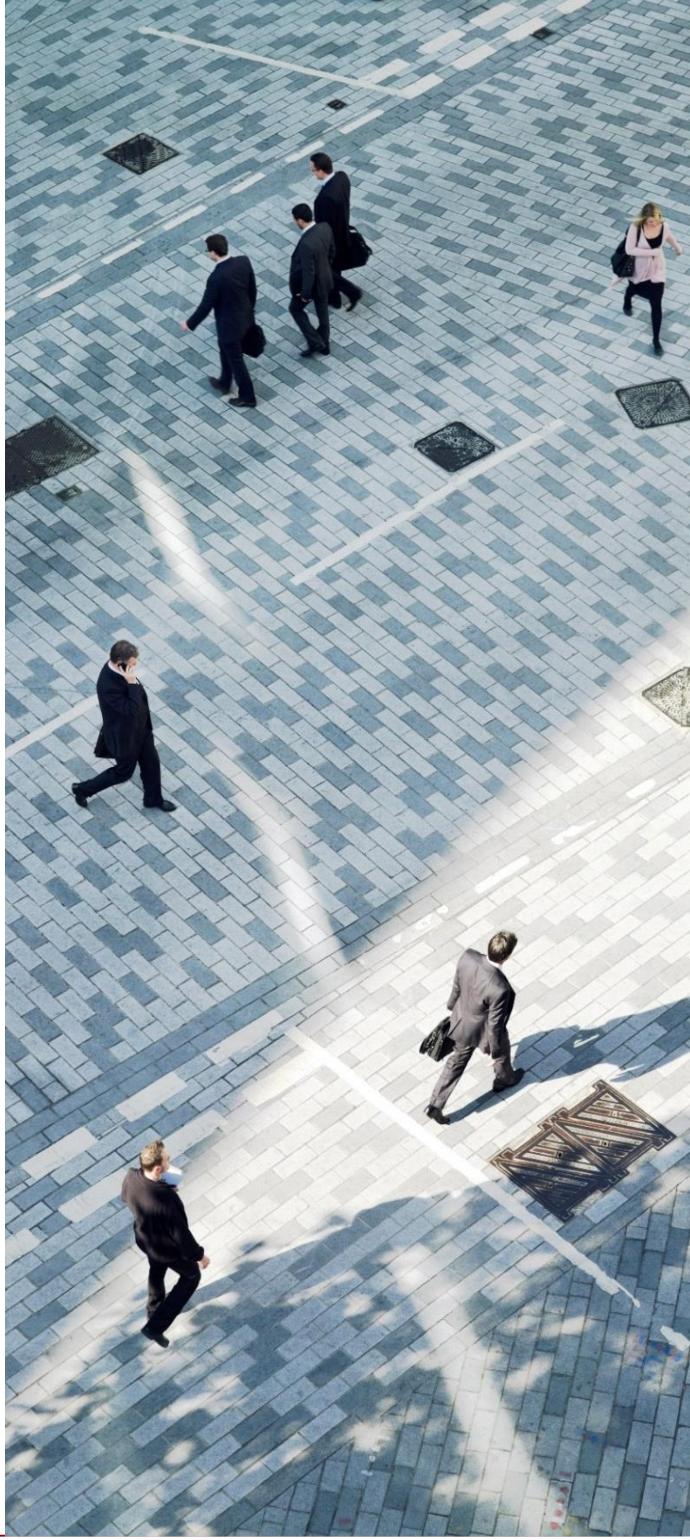
(iii) an indication of the outcome of the auditor's procedures or key observations with respect to the matter. The PCAOB Standard provides similar guidance. Both approaches are clear that the communication in the auditor's report about KAM / CAM should not imply that the matter has not been appropriately resolved by the auditor in forming the opinion on the financial statements, or that a separate opinion is being expressed with respect to the matter

Required Descriptions in the Auditor's Report (Table 2)

IAASB standards (KAM)	PCAOB Standard (CAM)
The description of a KAM is required to include a reference to the related disclosures, if any, in the financial statements and address: • Why the matter was considered to be one of most significance in the audit and therefore determined to be a KAM; and • How the matter was addressed in the audit. (Paragraph 13 of ISA 701)	For each critical audit matter communicated in the auditor's report the auditor must: • Identify the critical audit matter; • Describe the principal considerations that led the auditor to determine that the matter is a critical audit matter; • Describe how the critical audit matter was addressed in the audit; and • Refer to the relevant financial statement accounts and disclosures that relate to the critical audit matter. (Paragraph .14 of the PCAOB Standard AS 3101)

This article has been extracted from the IAASB publication 'A Comparison between the IAASB and the US PCAOB Standards'

http://www.ifac.org/system/files/publications/files/Auditor-Reporting-Comparison-between-IAASB-Standards-and-PCAOB-Standard.pdf



5. Select FRRB Observations: AS 11

This article summarizes certain key observations of Financial Review Reporting Board in respect of Accounting Standard 11, The Effects of Changes in Foreign Exchange Rates. These observations have been extracted from ICAI Publication: Study on Compliance of Financial Reporting Requirements: Volume III. The publication contains various instances of non compliances with the reporting requirements that have been noticed by the Board during the course of review of the general purpose financial statements of enterprises. We intend to cover all accounting standards in the months to come - keep watching this space!

Sl No	Matter contained in the Annual Report	FRRB Observations
Accounting Standard (AS) 11 : The Effects of Changes in Foreign Exchange Rates		
1.	In the Annual Report of a company, accounting policy of foreign exchange transactions stated as follows : 'Transaction in foreign currencies are recorded at the rates prevailing on the dates of the transactions. **Monetary items denominated in foreign currency are stated at contracted rates as those are covered by forward contracts (emphasis supplied)'.**	It may be noted that paragraph 11(a) of AS 11, provides as follows : **"11. At each balance sheet date:** **(a) foreign currency monetary items should be reported using the closing rate. However, in certain circumstances, the closing rate may not reflect with reasonable accuracy the amount in reporting currency that is likely to be realised from, or required to disburse, a foreign currency monetary item at the balance sheet date, e.g., where there are restrictions on remittances or where the closing rate is unrealistic and it is not possible to effect an exchange of currencies at that rate at the balance sheet date. In such circumstances, the relevant monetary item should be reported in the reporting currency at the amount which is likely to be realised from, or required to disburse, such item at the balance sheet date."** It was observed from the policy of foreign currency transactions that foreign currency monetary items have been recognized at contracted rates, as those are covered by forward contracts. It was viewed that hedging contracts (i.e. forward contracts) are independent of underlying contracts and therefore both of them should be recognized independent of each other. Hence recognizing monetary item at contract rates is against AS 11. They should have been recognized at the closing exchange rate irrespective of the fact whether risk against such items have been hedged by forward contracts.

Sl No	Matter contained in the Annual Report	FRRB Observations
Accounting Standard (AS) 11 : The Effects of Changes in Foreign Exchange Rates		
2.	From one of the notes to accounts given in the Annual Report of a company, it has been noted that : 'Expenditure in foreign exchange is accounted at the actual amount spent and provision for expenses to be paid in foreign currency has been made at the rate of exchange prevailing on the balance sheet date.'	It may be noted that paragraph 13 of AS 11 provides as follows : ***"13. Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, should be recognised as income or as expenses in the period in which they arise, with the exception of exchange differences dealt with in accordance with paragraph 15."*** It was noted that expenditure in foreign exchange is accounted at the actual amount spent i.e. at the rate prevailing on the time of settlement of transaction , which indicates that exchange difference arising on reporting date on such monetary items has not been recognized which is against the requirement of paragraph 13 of AS 11.
3.	From the notes to the accounts of a company, it has been noted that it incurred expenses and earned income in foreign currencies. However, in the Statement of Profit and Loss and notes to the accounts, there was no disclosure of gain/loss on exchange difference.	It may be noted that paragraph 40(a) of AS 11,provides that : ***"40. An enterprise should disclose:*** ***(a) the amount of exchange differences included in the net profit or loss for the period; and…"*** It was noted from the information relating to value of imports expenditure and earnings in foreign currency that the company has entered into foreign exchange transaction during the year; however, no exchange gain or loss arising from foreign exchange fluctuation has been separately disclosed in the Statement of Profit and Loss and note to accounts. Accordingly, it was viewed that the requirements of paragraph 40(a) of AS 11 have not been complied with.
4.	In the Annual Report of company, accounting policy relating to foreign transaction has been stated as follows : 'Difference between the forward exchange contract rate and the exchange rate as at the date of settlement is recognized as income/expense and is accounted for in the Statement of Profit and Loss'	It may be noted that paragraph 36 of AS 11, provides as follows : "***36. An enterprise may enter into a forward exchange contract or another financial instrument that is in substance a forward exchange contract, which is not intended for trading or speculation purposes, to establish the amount of the reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract should be amortised as expense or income over the life of the contract***

Sl No	Matter contained in the Annual Report	FRRB Observations
Accounting Standard (AS) 11 : The Effects of Changes in Foreign Exchange Rates		
4.		***Exchange differences on such a contract should be recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognised as income or as expense for the Period."*** It was noted from the accounting policy relating to forward exchange contract that although the accounting policy as adopted by company for settlement of forward exchange contract has been given, the accounting policy adopted for recognition of premium or discount arising at it inception and/ or at the cancellation/renewal of such contract have not been disclosed. Therefore, it was viewed that the accounting policy relating to forward currency transactions cannot be considered as complete.
5.	It has been noted from the accounting policy relating to Foreign Currency transactions that these are accounted at the rates prevailing on date of transaction. 'Year end current assets and year end liabilities are translated at exchange rate ruling on the date of the Balance sheet'	It may be noted that paragraph 11(a) of AS 11, provides as follows : ***"11. At each balance sheet date:*** ***(a) foreign currency monetary items should be reported using the closing rate."*** It has been observed from the accounting policy that all current assets and liabilities as at the end of the year are translated at exchange rate ruling on the date of the balance sheet. However, as per above mentioned requirement, it is only the monetary items which are required to be translated at the closing exchange rate and not all the foreign currency assets and liabilities which may include non-monetary assets/liabilities as well. This is not in line with AS 11.
6.	From a note relating to foreign currency translation difference, the following has been noted : 'Exchange difference in respect of foreign exchange contracts to be recognized in the Statement of Profit and Loss in subsequent accounting period is…'	It may be noted that paragraph 36 of AS 11,*inter alia* provides as follows : ***"Exchange differences on such a contract should be recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognised as income or as expense for the Period."*** It was observed from the stated note that a part of the exchange difference on forward exchange contract has not been recognized. It was viewed that as per paragraph 36 of AS 11,exchange difference on forward exchange contracts should be recognised in the reporting period in which the exchange rate changes rather than recognizing them in the subsequent periods. Accordingly, it was viewed that the requirements of AS 11 have not been complied with.

This article is extracted from the ICAI publication "Study on Compliance of Financial Reporting Requirements (Compiled from the records of Financial Reporting Review Board) Volume III" on matters of general interest only.

6. Accounting and Corporate Reporting
ICAI and MCA

ICAI

Exposure Draft - Accounting Standard (AS) 18, Revenue

Exposure Draft of the Accounting Standard (AS) 18, Revenue, has been issued by the Accounting Standards Board of the ICAI, for comments. Major differences between draft AS 18 and Ind AS 18 are given in Appendix 1 of draft AS 18. Similarly, major differences between draft AS 18 and AS 9 are given in Appendix 2 of draft AS 18.

Comments may be sent at commentsasb@icai.in by February 4, 2019.

Exposure Draft - Accounting Standard (AS) 11, Construction Contracts

Exposure Draft of the Accounting Standard (AS) 11, Construction contracts, has been issued by the Accounting Standards Board of the ICAI, for comments. Major differences between draft AS 11 and Ind AS 11 are given in Appendix 1 of draft AS 11. Similarly, major differences between draft AS 11 and AS 7 are given in Appendix 2 of draft AS 11.

Comments may be sent at commentsasb@icai.in by February 4, 2019.

Guidance Note on Reports in Company Prospectuses (Revised 2019)

In September 2018, SEBI revised the earlier regulations and issued the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 wherein number of changes vis-à-vis ICDR Regulations 2009 have been made.

Considering the numerous changes made by SEBI(ICDR) Regulations 2018, it was felt necessary to revise the Guidance Note earlier issued by the ICAI.

This Guidance Note supersedes the Guidance Note on Reports in Company Prospectuses (Revised 2016) issued by the ICAI in December 2016.

Guidance Note on Audit of Banks (2019 Edition)

The Guidance note issued by ICAI has been divided in three separate sections as follows:

Section A - Statutory Central Audit

Section B - Foreign Exchange Transactions and Integrated Treasury

Section C - Bank Branch Audit other than Foreign Exchange Transactions

The Guidance note has been issued with the objective to provide detailed and updated guidance to the members on various aspects of bank audits.

It is an important resource for the members carrying out audits of banks and bank branches and covers in detail various aspects like knowledge of the banking industry, initial considerations, special considerations in a CIS Environment, risk assessment and internal control, various items of banks' financial statements and their peculiarities, manner of disclosure in financial statements, the RBI prudential guidelines thereon, audit procedures, reporting on Long Form Audit Reports both at central and branch level, Ghosh and Jilani Committee recommendations, special purpose reports and certificates, etc.

UDIN mandatory wef 1st Feb., 2019 for all Certificates

It has been noticed that financial documents/ certificates attested by third person misrepresenting themselves as CA Members are misleading the Authorities and Stakeholders. ICAI is also receiving number of complaints of signatures of CAs being forged by non CAs. To curb the malpractices, the Professional Development Committee of ICAI has implemented in phased manner an innovative concept of UDIN i.e. Unique Document Identification Number. All Certificates are being made mandatory with effect from 1st February, 2019 as per the Council decision taken at its 379th Meeting held on 17th – 18th December, 2018.

Full time Practicing CAs can register themselves by visiting at https://udin.icai.org/ and generate UDIN by registering the certificates attested/certified by them.

Members are advised to register the documents certified by them and get these secured.

Announcement- Regarding Clarification on Applicability of Rotation principles on a company as per Section 139 of the Companies Act 2013 where the company ceases to fall under the ambit of Rotation principles in subsequent years. (January 29,2019)

Provisions of the Companies Act 203 and Rules thereon

Section 139 (2) of the Companies Act 2013 provides that no listed company or a company belonging to such class or classes of companies as may be prescribed, shall appoint or reappoint—

(a) an individual as auditor for more than one term of five consecutive years; and

(b) an audit firm as auditor for more than two terms of five consecutive years: Further as per the "Companies (Audit and Auditors) Rules, 2014, for the purposes of subsection (2) of section 139, the class of companies shall mean the following classes of companies excluding one person companies and small companies:-

(a) all unlisted public companies having paid up share capital of rupees ten crore or more;

(b) all private limited companies having paid up share capital of rupees fifty crore or more;

(c) (c) all companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more.

Issue

"A Chartered Accountant/ firm, an auditor in a company on which Rules relating to Rotation of auditors were applicable, retired in the year 2017 and a new auditor appointed in the same year. After amendment was brought as per Companies (Amendment) Act 2017, the company do not meet principles of rotation of auditors in the year 2018.

Whether the auditor who was an auditor of the company in the year 2017 can be reappointed by the company as the company ceases to fall under the criteria of rotation of auditors?"

View

The Corporate Laws & Corporate Governance Committee at its 43rdmeeting held on 7th January, 2019 discussed the issue and was of the view that since the requirement of rotation of auditors is not applicable on the company subsequently, therefore the auditor who was the auditor in the company earlier in the year 2017 can be reappointed without prejudice to the other provisions of the Companies Act 2013.

In other words, once a company ceases to fall under the ambit of Rotation principles, the company can appoint any chartered accountant/ firm as an auditor of the company irrespective of the fact that the same chartered accountant/ firm was an auditor of the company in previous years.

Exposure Draft Accounting Standard (AS) 41

Currently, there is no Accounting Standard on Agriculture under Companies (Accounting Standards) Rules, 2006. Considering the need of AS on the subject, the ASB has formulated draft AS 41, Agriculture, on the basis of Ind AS 41, Agriculture. Major differences between draft AS 41 and Ind AS 41 are given in Appendix 1 of AS 41.

Comments can be sent at commentsasb@icai.in by March 3, 2019

MCA

The Companies (Amendment) Ordinance, 2019

The Companies (Amendment) Ordinance, 2019 has been issued and will be deemed to have come into force on November 2, 2018.

It was considered necessary by the Ministry to give continued effect to the provisions of the Companies (Amendment) Ordinance, 2018.

Accordingly, the Companies (Amendment) Ordinance, 2018 is hereby repealed and notwithstanding such repeal, anything done or any action taken under the said Ordinance shall be deemed to have been done or taken under the corresponding provisions of this Ordinance.

Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Order, 2019 (Notification No S.O. 368(E) dated January 22,2019)

The Central Government vide notification number S.O. 5622(E), dated the November 2, 2018 has directed that all companies, who get supplies of goods or services from micro and small enterprises and whose payments to micro and small enterprise suppliers exceed forty five days from the date of acceptance or the date of deemed acceptance of the goods or services as per the provisions of section 9 of the Micro, Small and Medium Enterprises Development Act, 2006 (hereafter referred to as "Specified Companies"), shall submit a half yearly return to the Ministry of Corporate Affairs stating the following:

(a) the amount of payment due; and

(b) the reasons of the delay;

Accordingly, MCA has issued the Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Order, 2019 which requires every specified company to :

a. File in MSME Form I, details of all outstanding dues to Micro or small enterprises suppliers existing on the date of notification of this order within thirty days from the date of publication of this notification.

b. file a return as per MSME Form I annexed to this Order, by 31st October for the period from April to September and by 30th April for the period from October to March.

National Company Law Tribunal (Amendment) Rules, 2019 (Notification No G.S.R.29(E) dated January 15,2019)

National Company Law Tribunal (Amendment) Rules,2019 have been issued by MCA to amend Rule 71 of the National Company Law Tribunal Rules, 2016 wherein the words "Central Government" has been substituted by the words "Regional Director" in sub rule (3)(b) and sub rule (4).

Companies (Prospectus and Allotment of Securities) Amendment Rules, 2019 (Notification No G.S.R. 43(E) dated January 22,2019)

New Sub Rule inserted in Rule 9A [Issue of securities in dematerialised form by unlisted public companies] of Companies (Prospectus and Allotment of Securities) Rules, 2014,states that his rule shall not apply to an unlisted public company which is:—

(a) a Nidhi;

(b) a Government company or

(c) a wholly owned subsidiary

Companies (Acceptance of Deposits) Amendment Rules, 2019 (Notification dated January 22,2019)

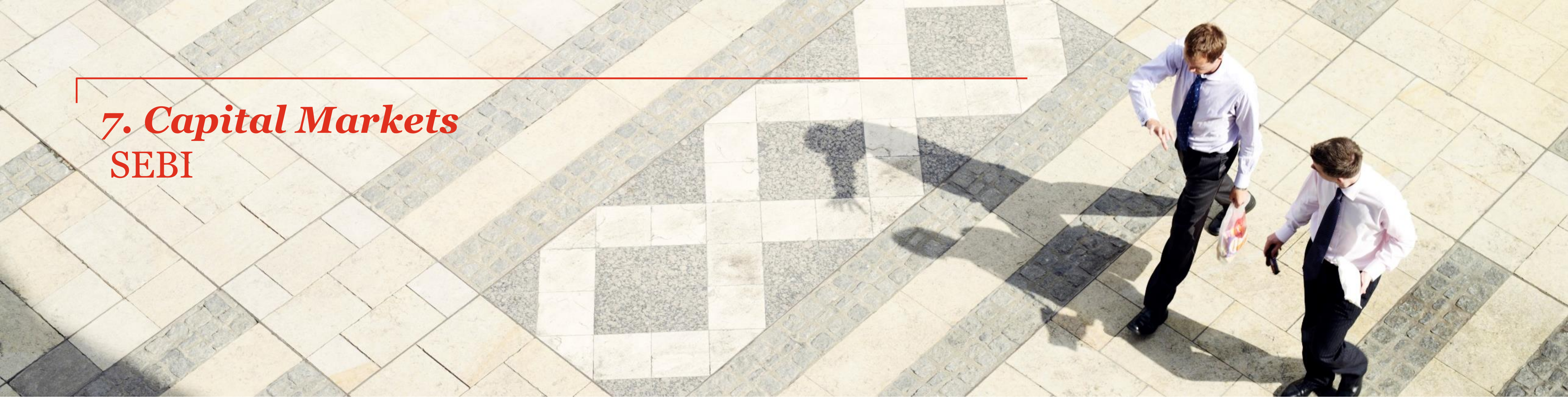
Companies (Acceptance of Deposits) Amendment Rules, 2019 has been issued by MCA to amend Rule 2(1)(c)(xviii), Rule 16 and Rule 16A.

Explanation has been inserted to Rule 16 [Return of Deposits to be Filed With the Registrar] which clarifies that Form DPT-3 shall be used for filing return of deposit or particulars of transaction not considered as deposit or both by every company other than Government company.

Sub Rule (3) inserted in Rule 16(A) [Disclosures in the financial statement] of Companies (Acceptance of Deposits) Rules, 2014, requires every company other than Government company to file a one time return of outstanding receipt of money or loan by a company but not considered as deposits, in terms of rule 2(1)(c) from the April 1, 2014 to the date of publication of this notification in the Official Gazette, as specified in Form DPT-3 within ninety days from the date of said publication of this notification along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014

Further Form DPT-3 [Return of deposits] has also been substituted.

7. Capital Markets
SEBI



SEBI

SEBI constitutes ‘Research Advisory Committee (RAC)’ (PR No. 2/2019 dated January 8,2019)

In order to strengthen its research function and enhance its linkage to policy making, SEBI has constituted a Research Advisory Committee.

The terms of reference of the Committee are:

1. Defining objectives, scope and direction of research relevant for development and regulation of capital markets in India and for SEBI, especially keeping in view the linkage of research to policy making.

2. Strategy for effective execution and delivery of research identified under item (1) above.

3. Promotion/development/maintenance of databases relevant for capital market regulation research.

4. Exploring research collaborations with external researchers, including other regulators as well as academic institutions, both domestically and overseas, as appropriate.

5. Promotion/development of research proposals in-house as well as by interested external researchers.

Disclosures by Stock Exchanges for commodity derivatives (Circular No. SEBI/HO/CDMRD/DNPMP/CIR/P/2019/08 dated January 4,2019)

Transparency in the commodities derivatives markets is paramount for price signals as well as its correlation with the underlying physical market activities. In order to enhance transparency to the public in Commodity Derivatives Markets and also as recommended by Commodity Derivatives Advisory Committee (CDAC), all recognised stock exchanges shall make additional disclosures on their websites with respect to trading in commodity derivatives. The formats for these disclosures are placed at Annexures-I and II. Annexure I contains format for disclosure of Open Interest and turnover for various categories of participants at Commodity as well as market level.

Annexure II contains Commodity wise format of disclosure for top participants, members and market wide position limits.

Cyber Security and Cyber Resilience framework for Mutual Funds / Asset Management Companies (AMCs) (Circular No.: SEBI/HO/IMD/DF2/CIR/P/2019/12 dated January 10,2019)

Based on the recommendation of SEBI’s High Powered Steering Committee - Cyber Security, it has been decided that the framework prescribed vide SEBI circular CIR/MRD/DP13/2015 dated July 06, 2015 on cyber security and cyber resilience also be made applicable to all Mutual Funds / AMC.

Accordingly, all Mutual Funds / AMCs shall comply with the provisions of Cyber Security and Cyber Resilience as placed at Annexure-1. The guidelines annexed with this circular shall be effective from April 1, 2019.

The circular inter-aliadeals with 'Sharing of information' which requires that Quarterly reports containing information on cyber-attacks and threats experienced by Mutual Funds/ AMCs and measures taken to mitigate vulnerabilities, threats and attacks including information on bugs / vulnerabilities / threats that may be useful for other AMCs/MFs should be submitted to SEBI in a soft copy.

Norms for investment and disclosure by mutual funds in derivatives (Circular No. SEBI/HO/IMD/DF2/CIR/P/2019/17 dated January 16,2017)

Mutual Fund schemes are permitted to undertake transactions in equity derivatives in accordance with the exposure limits specified in the above mentioned circular. Paragraph 4 of the said circular, inter-alia, states that Mutual Funds shall not write options or purchase instruments with embedded written options. Based on the suggestions of market participants and recommendations of Mutual Fund Advisory Committee (MFAC), it has been decided to permit mutual funds to write call options under a covered call strategy as prescribed.

Consultation paper for Amendment of SEBI (Infrastructure Investment Trusts) Regulation, 2014 and SEBI (Real Estate Investment Trusts) Regulation, 2014 (Report dated January 25,2019)

The InvIT and REIT Regulations were notified on September 26, 2014. Till date, 3 InvITs have issued and listed their units raising approximately Rs. 10,000 crores and 1 REIT is in the process of making a public offer.

Based on experience gained and feedback received from market participants, amendments to the REIT and InvIT Regulations, are being proposed with a view to providing flexibility to the issuers in terms of fund raising and increasing the access of these investment vehicles to investors.

The consultation paper has been issued to solicit comments/views from public on suggestions pertaining to making amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 (hereinafter referred as "InvIT Regulations") and SEBI (Real Estate Investment Trusts) Regulations, 2014 (hereinafter referred as "REIT Regulations")

Clarifications in SEBI (Depositories and Participants) Regulations, 2018 (Circular No SEBI/HO/MRD/DOP2-DSA2/CIR/P/2019/22 dated January 23,2019)

Stock Exchanges, Depositories, Public Financial Institutions and Public Sector Banks had sought certain clarifications from SEBI with regard to the applicability of Regulation 24 (9) and Regulation 24 (10) of SEBI (D&P) Regulations , 2018 . In this regard, it is clarified that:

(i) For the purpose of Regulation 24 (9) and Regulation 24 (10) of SEBI (D&P) Regulations 2018, a recognized clearing corporation shall not be considered as a Depository Participant.

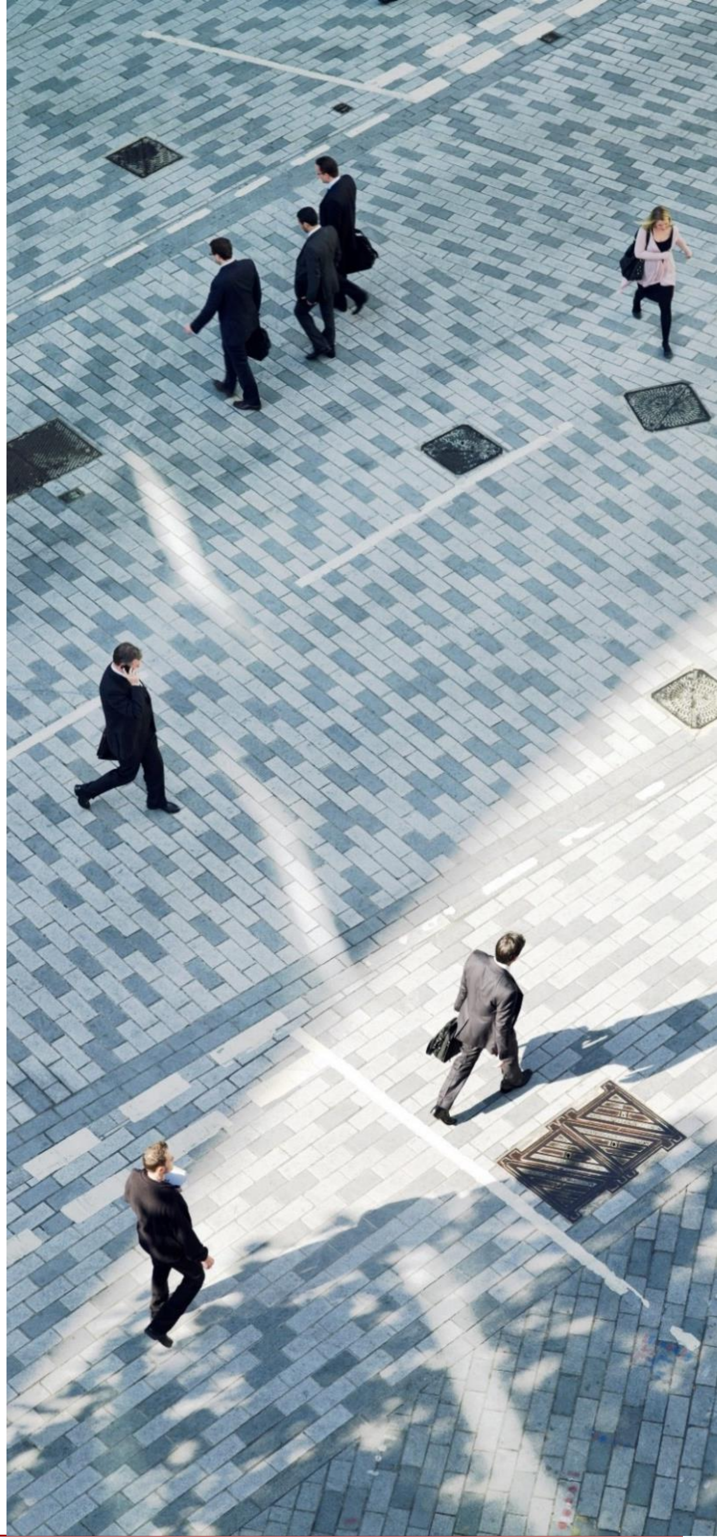
(ii) For the purpose of 24(10) of SEBI (D&P) Regulations 2018, in addition to the directors, employee /s of entities mentioned in Regulation 24 (10) shall not be considered as Depository Participant or their associate.

It is to be noted that Regulation 24(9) states that no depository participant or their associates and agents, irrespective of the depository of which they are members, shall be on the governing board of a depository.

Regulation 24(10) provides that a person who is a director in an entity, that itself is a depository participant or has associate(s) as depository participant, he/she will be deemed to be a depository participant:

Provided a person shall not be deemed to be Depository Participant or their associate for the purpose of sub-regulation 10, if he/she is on the board of a Public Financial Institution or Bank which is in public sector, or which has no identifiable ultimate promoter, or the ultimate promoter is in public sector or has well diversified shareholding, and such Public Financial Institution or Bank or its associate is a Depository Participant:

Provided further that the independent directors of associates of Public Financial Institution or Bank in public sector, who is a Depository Participant and where the majority shareholding is that of such Public Financial Institution or Bank in public sector, shall not be deemed to be Depository Participant for the purpose of sub-regulation 10.



8. Taxation and Others

Direct and Indirect taxes and Others

Government amends procedure for seeking exemption from section 56(2)(viib) for start-ups

Section 56(2)(viib) of the Income-tax Act, 1961 (the Act) is applicable in case of issue of shares at a premium by a company in which the public are not substantially interested. The excess of share issue price over the fair market value of such shares, computed in accordance with the prescribed methodology, is subject to income-tax.

The section further provides for specific carve outs, which include class or classes of persons as may be notified by the Central Government. In 2016, the Government notified start-ups to be exempted from the applicability of provisions of section 56(2)(viib) of the Act if such start-ups are recognised by the Inter-Ministerial Board of Certification (IMBC) under the Department of Industrial Policy and Promotion as eligible for such exemption.

On 11 April, 2018 the Government issued a notification1 to provide for a procedure to grant exemption to registered start-ups.2 To make such a procedure more attractive and time bound, the Government issued another notification3 on 16 January, 2019. The amendments to the procedure are:

1.	Investments covered	Only proposed investments	Both proposed and past investments; however, not applicable for investments on which the tax officer has already passed an assessment order
2.	Conditions pertaining to the start-up	Total paid-up capital post investment not to exceed INR 100 million	Remains unchanged
3.	Conditions pertaining to the investor	• Has an average returned income of at least INR 2.5 million in the last three years; **or** • Has a net worth of at least INR 20 million on the last day of the preceding financial year	• Has a returned income of at least INR 5 million in the financial year preceding the year of investment/ proposed investment; **and** • Has a net worth exceeding INR 20 million or the amount of investment made/ proposed to be made in the start-up, whichever is higher, as on the last date of the financial year preceding the year of investment/ proposed investment.
4.	Requirement to obtain a fair valuation report from a merchant banker	Yes	No longer required
5.	Approval granted by	IMBC	Central Board of Direct Taxes
6.	Time limit to process the application	No time limit was prescribed	Within 45 days of receipt of application

[1] DIPP Notification No. G.S.R. 364(E) dated 11 April, 2018
[2] An entity is considered a start-up if - Up to seven years in existence, and up to ten years, if in the biotechnology sector;
Turnover has not exceeded INR 250 million; and
Involved in innovation, development or improvement of products or processes or services or with high potential of employment/ wealth generation, subject to the entity not being formed by splitting up or

Government removes pre-import condition for Advance Authorisation, extends exemptions of IGST and compensation cess for specified deemed exports

Background

Earlier, no integrated GST (IGST) and compensation cess exemptions were available for imports under advance authorisation for deemed exports. However, these elements of customs duties were exempt for imports under advance authorisation fc physical exports, subject to the pre-import condition.

Pre-import condition contemplated that raw material imported under advance authorisation is physically incorporated in the final products manufactured in India, which is then exported. Thus, disputes were raised in cases where the authorisation holder imported raw material after exporting the final products.

Recent changes

To address the issue of 'pre-import' and provide impetus to 'deemed export' supplies, the Government of India through notifications1 dated 10 January 2019 amended the Foreign Trade Policy and corresponding customs notifications, effected below changes:

Sl. No.	Scenario	Compliance condition
1.	Imports against authorisation made after discharge of export obligation and input tax credit (ITC) availed under GST for manufacture and export of final products	· The material imported under the Advance Authorisation post exports should be used in manufacture and supply of taxable goods. ·The authorisation holder needs to furnish a bond with customs binding himself to use the material for manufacture and supply of taxable goods and a certificate from a chartered accountant within six months from the date of import that the imported material have been so used. However, requirement of bond is dispensed with where the authorisation holder pays IGST and compensation cess at the time of import of materials.
2.	Imports against authorisation made after discharge of export obligation and ITC not availed under GST for manufacture and export of final products	· The authorisation holder needs to furnish proof to the effect that no ITC has been availed for the past inputs used in manufacture and export of final products. In that case no bond is required to be furnished with Customs.

2. Exemption of IGST and compensation cess has also been extended to deemed exports:

Imports under Advance Authorisation are now exempt from IGST and compensation cess for making supplies under following deemed exports categories:

1.	Supply of goods by a registered person[2] against Advance Authorisation.
2.	Supply of capital goods by a registered person[2] against Export Promotion Capital Goods Authorisation.
3.	Supply of goods by a registered person[2] to an Export Oriented Unit.

GST Council relaxes compliance requirements for small businesses, approves calamity cess by Kerala for two years and widens composition scheme

The GST Council (Council) in its 32nd meeting held on 10 January, 2019 relaxed some compliance requirements for small businesses. The Council also approved levy of calamity cess on intra-State supplies by Kerala for a period of two years, and referred the issues relating to taxation of real estate and lotteries to Group of Ministers (GoM).

The major decisions taken by the Council are summarised below[1]:

- The threshold limit for registration for supplier of goods has been increased from INR 2 million to INR 4 million. The States would need to decide on individual registration limits in a week's time. The threshold limit for service providers continues at INR 2 million and for special category States at INR 1 million.
- The ceiling for composition scheme has been decided to be increased to INR 15 million from current limit of INR 10 million with effect from 1 April, 2019. Special category States would need to decide about the composition limit in their respective States in a week's time.
- Assessees opting for composition scheme will be required to only file an annual return with effect from 1 April, 2019. The tax payment will continue to be on quarterly basis.
- The composition scheme has now been extended to the service providers. The suppliers of services (or mixed supplies) having turnover of up to INR 5 million in previous year will have an option to pay tax under composition scheme @ 6%.
- State of Kerala has been permitted to levy a cess of upto 1% on intra-State supplies for a period not exceeding two years.

The following issues have been referred to the GoM:

- Composition scheme for residential segment of real estate sector.
- GST rate structure on lotteries.

Government issues additional guidance for post clearance audit in customs (Circular No 2/2019-Cus dated 8 January 2019)

In the last few years, customs clearance has undergone a paradigm shift, from largely being focused on revenue collection, to greater impetus on trade facilitation and ease of doing business, without compromising on the revenue.

Towards this aim of balancing the intricate requirement of trade facilitation as well as revenue protection, Onsite Post Clearance Audit (OSPCA) was introduced in 2011, wherein compliance checks shifted from the clearance stage to the post clearance stage, i.e., at the premises of select categories of importer and exporter. However, OSPCA due to limited application to select importers and exporters i.e. Authorised Economic Operators (AEO) was not effective.

Given the above, need was felt for comprehensive statutory audit framework in customs law. Hence, in 2018, concept of audit was notified as statutory provision and thereafter Customs Audit Regulations, 2018 were notified, to establish the legal ambit of a premises-based audit and its expansion to include a host of stakeholders involved in the import/ export value-chain, as auditee viz.:

- Custodians or licensees of a warehouse;
- Customs brokers; and
- Entities/ persons involved in import or exports like clearing, forwarding, stocking, etc.

Further, dedicated Audit Commissionerates were formed at major ports with all India jurisdiction.

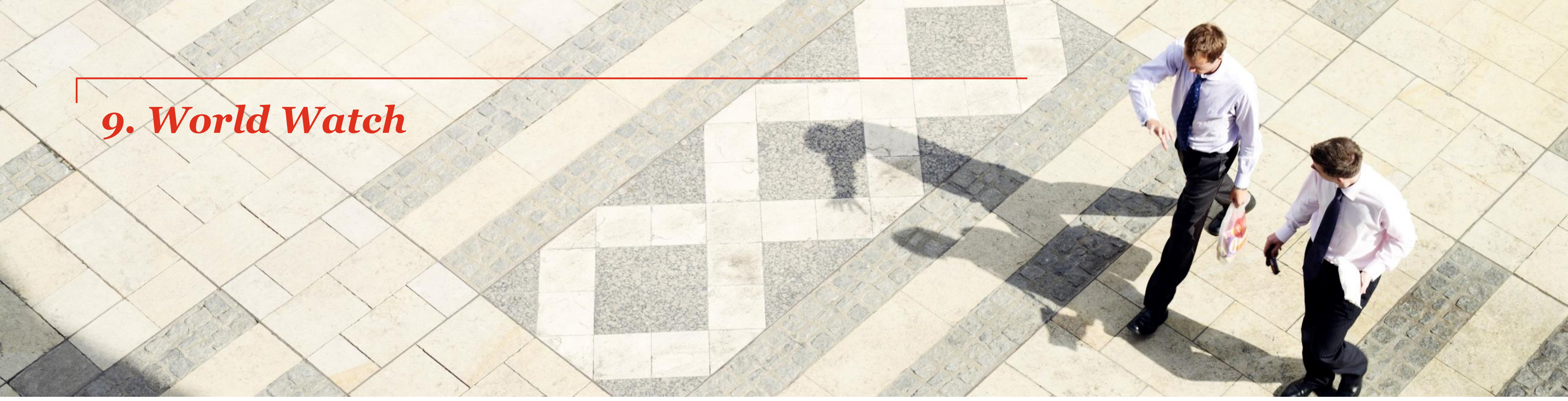
With the objective of providing comprehensive guidelines vis-à-vis Post Clearance Audit, Central Board of Indirect Taxes and Customs has issued a circular1. The key features of the circular, which outlines recent developments, are summarised below.

Recent developments outlined in circular

- Under the new scheme, transaction based audit (TBA) and premises based audit (PBA) have been prescribed for all entities concerned with imports or exports. The TBA may also be converted into PBA.
- The Government would select any criteria or theme for the audit. Accordingly, customs authorities would review identified importers, exporters, etc. over a period of time for sample transactions, relevant documents, commercial records, including financial statements and contracts, to verify the correctness of disclosures and adequacy of compliance.
- Given the commitment of the Government to operationalise these PBA, Directorate General of Analysis and Risk Management has been entrusted with the responsibility of identifying the potential focus areas and entities for various types of audit.
- Furthermore, the Government has also notified jurisdiction allocation of Customs Audit Commissionerates for conducting PBA. The Chief Commissioners have been mandated to monitor the progress and performance of at least 5% of the audit reports, to ensure that audit has been conducted as per prescribed procedures.

CBIC issues notifications and orders to give effect to the decisions taken in 31st GST Council meeting and issues clarificatory circulars

The Central Board of Indirect Taxes and Customs (CBIC) has issued various notifications and orders to give effect to the decisions taken at the 31st GST Council meeting. CBIC also issued multiple circulars to clarify various issues.



9. World Watch

Canada

- The Canadian Public Accountability Board issued an information note on auditing in the crypto-asset sector

European Union

- The European Parliament's ECON Committee adopted proposals for a digital services tax and digital permanent establishment

IAASB

- The global search for Chair of the IAASB has been restarted and applications from qualified candidates around the globe are now being accepted; applications due January 31, 2019

IAESB

- The forthcoming International Education Standard 7 (Revised), Continuing Professional Development, introduces several changes relating to the standard's requirements and structure, as well as explanatory materials
- The IAESB released for public comment proposed changes to International Education Standards on initial and continuing professional development to address information and communications technologies, and professional skepticism skills; comments due March 4, 2019

IASB

- The IASB published a summary report on its Post-implementation Review of the fair value measurement Standard, IFRS 13, which indicated that the Standard works as intended
- The IASB has, during its December meeting, voted to propose to amend IFRS 17, the insurance contracts Standard issued in May 2017
- The IASB published for public comment proposed amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs a company should include when assessing whether a contract will be loss-making; comments due April 15, 2019

IFIAR

- IFIAR released a Report on its Survey of Audit Regulators' Enforcement Regimes

Japan

- The Japanese Certified Public Accountants and Auditing Oversight Board issued its 2018 Monitoring report

OECD

- The OECD reported that 2017 Peer Review Reports on the Exchange of Information on Tax Rulings show progress toward increasing transparency on tax rulings

Saudi Arabia

- The Saudi Capital Market Authority issued a resolution to adopt and publish the Rules for Registering Auditors of Entities Subject to the Authority's Supervision, including required qualifications and ongoing obligations.

United Kingdom

- The UK Competition and Markets Authority issued an Update Paper on its Statutory Audit Services Market Study proposing three major remedies for the audit market
- The Independent review of the UK Financial Reporting Council (FRC) led by Sir John Kingman published its report recommending that the FRC be replaced with an independent statutory regulator
- The UK FRC announced the composition of the Advisory Group for its major project on the Future of Corporate Reporting
- A new code for the corporate governance of large private companies, the 'Wates Principles', was launched in the UK
- The UK FRC issued a new report indicating inconsistency in auditors' work on the information in the front end of company reports.

United States

- The US Public Company Accounting Oversight Board (PCAOB) adopted a new standard on auditing accounting estimates, including fair value measurements
- The Financial Accounting Standards Board (FASB) issued a proposed Accounting Standards Update on goodwill and measuring certain identifiable intangible assets for not-for-profit organizations; comments due February 18, 2019
- The FASB issued a proposed Accounting Standards Update related to Leases (Topic 842)
- A new resource was issued by the Center for Audit Quality, Emerging Technologies: An Oversight Tool for Audit Committees
- A new resource was issued by the Center for Audit Quality, Critical Audit Matters: Lessons Learned, Questions to Consider, and an Illustrative Example
- The FASB issued an Accounting Standards Update related to the new leases standard
- PCAOB Chair William D. Duhnke delivered a statement on the vital role of audit quality and regulatory access to audit and other information internationally

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