

**CIRCULAR**

CIR/CFD/CMD/56/2016

May 27, 2016

To

**All Listed Entities**

**All Recognized Stock Exchanges**

Dear Madam / Sir,

**Sub.: Disclosure of the Impact of Audit Qualifications by the Listed Entities**

1. SEBI has put in place a mechanism to review the audit qualifications contained in the audit reports of the listed entities. The detailed procedure for the same has been prescribed in Schedule VIII read with Regulation 33 and Regulation 52 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and SEBI circular no. CIR/CFD/CMD/15/2015 dated November 30, 2015.
2. In consultation with SEBI Advisory Committees, Institute of Chartered Accountants of India ('ICAI'), Stock Exchanges and Industry Bodies, it has been decided to streamline the existing process as follows:
  - (i) to make the listed entities disseminate the cumulative impact of all the audit qualifications in a separate format, simultaneously, while submitting the annual audited financial results to the stock exchanges. This will ensure that the information is available to the investors, without delay, enabling them to take well informed investment decisions;
  - (ii) to dispense with the existing requirement of filing Form A or Form B for audit report with unmodified or modified opinion respectively;
  - (iii) to dispense with the existing requirement of making adjustment in the books of accounts of the subsequent year.
3. In this context, necessary amendments to the Listing Regulations have already been notified. A copy of the notification is available on the SEBI Website [www.sebi.gov.in](http://www.sebi.gov.in).
4. The operational details for implementing the aforesaid amendments shall be as under:

- 4.1. For audit reports with unmodified opinion, the listed entity shall furnish a declaration to that effect to the stock exchange(s) while submitting the annual audited financial results.
  - 4.2. For audit reports with modified opinion, a statement showing impact of audit qualifications shall be filed with the stock exchanges in a format as specified in **Annexure I**.
  - 4.3. The management of the listed entity shall have the option to explain its views on the audit qualifications;
  - 4.4. Where the impact of the audit qualification is not quantified by the auditor, the management shall make an estimate. In case the management is unable to make an estimate, it shall provide reasons for the same. In both the scenarios, the auditor shall review and give the comments.
  - 4.5. The aforesaid statements on impact of audit qualifications filed by the listed entities shall be a part of regular monitoring by the stock exchanges as specified in Regulation 97 of the Listing Regulations. In case of non-compliance, the stock exchanges shall take action against such entities as deemed fit and report to SEBI on a regular basis.
- The stock exchanges shall coordinate with one another in case the scrip is listed on more than one stock exchange.
5. The clause 3 (g) of the aforesaid SEBI circular no. CIR/CFD/CMD/15/2015 dated November 30, 2015 stands deleted.
  6. This circular shall be applicable for all the annual audited standalone / consolidated financial results, as applicable, submitted by the listed entities for the period ending on or after March 31, 2016.
  7. The stock exchanges are advised to ensure compliance with this circular and bring the provisions of this circular to the notice of listed entities and also to disseminate the same on their websites.
  8. This circular is being issued in exercise of powers conferred under Section 11 and Section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulation 33, Regulation 52, and Regulation 101 (2) of the Listing Regulations.

9. This circular is available on SEBI website at <http://www.sebi.gov.in> under the category "Circulars".

Yours faithfully,

**Prasanta Mahapatra**  
**General Manager**  
**Compliance and Monitoring Division**  
**Corporation Finance Department**  
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ANNEXURE I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - (Standalone and Consolidated separately)

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, .....				
[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]				
I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover / Total income	-	-
	2.	Total Expenditure	-	-
	3.	Net Profit/(Loss)	-	-
	4.	Earnings Per Share	-	-
	5.	Total Assets	-	-
	6.	Total Liabilities	-	-
	7.	Net Worth	-	-
	8.	Any other financial item(s) (as felt appropriate by the management)	-	-
II.	<b><u>Audit Qualification (each audit qualification separately):</u></b>			
	a.	<b>Details of Audit Qualification:</b>		
	b.	<b>Type of Audit Qualification :</b> Qualified Opinion / Disclaimer of Opinion / Adverse Opinion		
	c.	<b>Frequency of qualification:</b> Whether appeared first time / repetitive / since how long continuing		
	d.	<b>For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:</b>		
	e.	<b>For Audit Qualification(s) where the impact is not quantified by the auditor:</b>		
		(i) <b>Management's estimation on the impact of audit qualification:</b>		
		(ii) <b>If management is unable to estimate the impact, reasons for the same:</b>		
		(iii) <b>Auditors' Comments on (i) or (ii) above:</b>		
III.	<b><u>Signatories:</u></b>			
		• <b>CEO/Managing Director</b>		
		• <b>CFO</b>		
		• <b>Audit Committee Chairman</b>		
		• <b>Statutory Auditor</b>		
		<b>Place:</b>		
		<b>Date:</b>		