**TECHNICAL REVIEW OF FINANCIAL REPORTS**

Financial statements are said to be true and fair only when the books of account are written up in accordance with the framework of accounting being: requirements of law, the pronouncements of the accounting regulator (Accounting Standards), judgments of various courts of law, and requirements of the regulators of the industry such as Insurance Regulatory and Development Authority, Reserve Bank of India, and Securities and Exchange Board of India.

**TECHNICAL REVIEW**

Technical review is a complex procedure to critically examine if the published financial reports comply with the several compliance procedures and disclosure norms. Essentially, technical review covers compliance, with various provisions such as: Format of the Financial statements — both revenue statement and the balance sheet, Presentation of the financial statements, Format of the report of auditors and signing thereof, Contents of Audit report and Companies Auditor's Report Order (CARO), Accounting Standards (deferred tax assets, deferred tax liabilities, etc), Standards on Auditing and Assurance, Provisions of other laws (Income Tax, Central excise) and Various disclosure requirements (Related parties, investments, leases, EPS).

**COMPLIANCE PROCEDURES**

Compliance procedures constitute one set of procedures to be carried out by the auditor in addition to the substantive procedures. At the planning stage itself, the auditor should consider the accounting standards applicable to the entity, and make sure of compliance by carrying out appropriate audit procedures. These procedures should be woven into the substantive procedures carried out by the auditor. The auditor should insist on written representations from the management in respect of a host of the items: Calculation of value of work in progress, closing inventories, etc, Documentary evidence of physical verification of fixed assets, Transactions with related parties, Accounting treatment of grants and subsidies, etc, to name a few. Such a measure would increase the level of assurance of the auditor. Whether the auditor carried out these procedures is covered under peer review.

**DISCLOSURE NORMS**

Certain disclosures are to be made on the face of the financial statements to comply with the format, while some more are given as an annexure, forming part of the financial statements, such as transactions with related parties, which would help the reader of the financial statements to understand them in more detail. Certain of the items are to be disclosed in a specific manner on the face of the financial statements, which should be followed one hundred per cent. No deviations are permitted. The profit and loss account should contain the EPS as a part of the statement. Failure so to do would be non-compliance. General groupings of current assets should be disclosed on the face of the balance sheet. Giving details in a separate schedule is in addition to, and not in place of the disclosure.

Similarly, the disclosure requirement for fixed assets, investments, etc is also to be complied with in totality. Fixed assets are to be disclosed as assets held by the entity, separate and distinct from the assets given on lease. Since the two types of assets are a class apart, clubbing them under a single head wouldn't be proper.

**SOME OTHER DISCLOSURES**

Every financial statement contains a few pages of other disclosures which forms part of the financial statements. Such disclosures would be include: Quantitative details, Conservation of power, Accounting policies, Remuneration to employees, Payments to auditors, Remuneration to directors, Foreign currency, Related parties, Sundry debtors and sundry creditors, and a host of other items.

Such disclosures give a better understanding to the readers of the financial statements. The financial statements are critically examined to make sure of compliance with such items, and any shortfall is brought to the notice of the statutory auditors who have signed the financial statements.

***Source: The Hindu BusinessLine***