

Quote by Shравan Shetty- Managing Director, Primus Partners

Published in Money Control
Nov 15, 2024 | 05:13 PM IST

Why ICAI will seek review of NFRA's decision to amend audit standards?

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Article Content:

The Institute of Chartered Accountants of India (ICAI) will soon seek a review of the National Financial Reporting Authority's (NFRA's) decision to amend Standards of Audit (SA) 600 and SA 299, arguing it will lead to concentration of work in the hands of few large firms.

"ICAI will seek a review of the revision of Standards on Auditing (SA) 600, SA 299 and other issues with the ministry of corporate affairs," a senior ICAI member told *Moneycontrol*.

The global audit standards do not apply to the Indian context, he added.

During the meeting of NFRA held on 11-12 November 2024, the audit body considered and approved the proposals on 40 standards on auditing.

Bone of Contention

NFRA during its board meeting recommended the revision of Standards on Auditing (SA) 600 to hold the group auditor ultimately responsible for the audit, in line with the global Standard ISA 600.

ICAI is also opposing the revised SA 299 approved by NFRA related to joint audit of financial statements. ICAI has expressed concerns that these changes could lead to unnecessary duplication of work and increased costs in joint audits.

The NFRA board consists of 11 members, including representatives from the Comptroller and Auditor General of India, the Reserve Bank of India (RBI), the Securities and Exchange Board of India (Sebi), the Institute of Chartered Accountants of India (ICAI), two independent experts, two full-time NFRA members, and the NFRA chairperson.

During the Board meeting on November 11-12 while ICAI opposed the move, the decision was approved with the support of other members.

What does NFRA say?

NFRA feels the Indian auditing standards need to be revised to the international standards to boost foreign investment and reach the aim of Viksit Bharat by 2047. Indian audit standards cannot be in isolation to the world, NFRA said.

What does industry say?

"There are a few issues. ICAI and NFRA are locking horns, one major concerning CAs is the group auditor being responsible for subsidiary audits as well," Shravan Shetty, managing director, Primus Partners, told Moneycontrol.

"Any move to strengthen audit quality and enhance trust in financial statements is both welcome and essential; it should take precedence over narrow interests. We must keep pace with global standards and evolving market dynamics, as many Indian companies have expanded internationally or intend to, and many global organisations are already invested or keen to invest here. India is a mature nation with an effective regulator, to ensure fairness and transparency," a senior partner from a large auditing firm told Moneycontrol.