

NFRA Chief For Aligning Local Audit with Global Norms

Our Bureau

New Delhi: National Financial Reporting Authority (NFRA) chairperson Ajay Bhushan Pandey on Thursday rooted for revamping Indian auditing standards in sync with the global norms and further boosting corporate governance to bolster investors' trust in the country's systems.

"We have made our mark in the field of technology," Pandey said at an ASSOCHAM event. "The question here is, will we make our mark in corporate governance and also in the accountancy and auditing profession across the world?"

Stressing the need for adopting global audit standards, he said path-breaking reforms often create



doubts in minds but "we shouldn't get deterred by some perceived emotion of some pain".

"Can you afford to say we are unique and we will not agree with the whole world?" he asked.

His statements come at a time when NFRA's draft norms to align the domestic audit standards—Standard on Auditing (SA) 600—with the global provisions have been opposed by the Institute of Chartered Accountants of India (ICAI). NFRA

draft norms propose to make the principal auditor of a corporate group responsible for the entire group's financial statements. This, ICAI had reckoned, would lead to a concentration of audit work with a few big firms at the cost of small and medium ones. The NFRA, however, dismissed the fears as "misplaced".

Pandey highlighted the need for sustained corporate governance reforms. Company management, independent directors and audit committee, statutory auditors, shareholders, and regulators make up the five lines of defence to improve corporate governance, he said.

"It is our collective responsibility...we should continue to create trust. Improve the corporate governance, and we should work in that direction," he added.

The Hindu Business Line

'Full adoption of global standards must for realising Viksit Bharat'

KR Srivats
New Delhi

India must completely embrace global accounting and auditing standards if it intends to become a global powerhouse by 2047, Ajay Bhushan Pandey, Chairman of the National Financial Reporting Authority (NFRA), asserted on Thursday.

At a national conference on 'Changing Landscape of Accounting and Reporting' organised by ASSOCHAM in the capital, Pandey emphasised that India should not be seeking carve-outs for its unique circumstances while aligning with global standards.

STRATEGIC ADVANTAGE
He pointed out that India has an advantage in the changing financial reporting landscape as many reforms in accounting and auditing were implemented globally decades ago.

"Many of the reforms we

are talking about now have already implemented globally 15 years ago. Can India afford to say we are unique and we will not integrate with the whole world?" Pandey questioned.

His remarks are significant as they come amidst an ongoing tussle between NFRA, the country's sole independent auditor, and the CA Institute, over changes to a key auditing standard (SA600 — Using the Work of Another Auditor) that governed the conduct of group audits in the country.

The bone of contention between ICAI and NFRA is about the alignment of SA600 with ISA600 (International Standard of Auditing). While NFRA advocates for complete convergence, ICAI believes the Indian situation requires carve-outs on the requirements of the auditing standard around group audits of enterprises.

ICAI is opposed to allowing the principal auditor (group auditor) access to the



Ajay Bhushan Pandey,
Chairman, NFRA

working papers of component auditors. This practice is, however, allowed in the international standard.

ADOPTION CHALLENGES

Without taking the name of ICAI, Pandey noted that there are always certain groups that say Indian situations are different and therefore seek local solutions.

"Actually that is something we need to be careful about," he said, adding that there is no merit in taking a stance that "we have no ob-

jection in adopting global standard but it should be adapted to our Indian needs."

"We must understand that deviation during adoption can be a few percentage points, but that adaptation cannot happen in such a manner when you are ninety per cent variant from global standards," Pandey said.

He also noted that those opposed to full convergence with ISA 600 must understand that NFRA is not bringing anything that the world has not dealt with or addressed.

"In this particular case (SA 600), we are privileged to have the experience of the world for 10-15 years in this regard," he noted.

He highlighted that many of the issues will get highlighted early on if the principal auditor has a good oversight on the auditors of subsidiaries.

"But if you are going to close your eyes and say what happens at the subsidiary level is their problem and not

that of the principal auditor, I don't think the world runs like this," Pandey added.

Pandey also did not agree with the contention in certain quarters that Corporate failures in the last few years are exceptions and questioned why should regulators do anything about it.

"This is another argument of not doing anything. We should not brush aside one or two corporate failures as isolated cases. We must analyse and see what corrective actions can be taken," he said.

Noting that it is India's moment today, Pandey expressed confidence that would achieve a GDP of \$55 trillion by 2047 as recently projected by former Chief Economic Advisor Krishnamurthy Subramanian.

"If our IT services majors like TCS, and Infosys can dominate the world, then there is no reason why our CAs cannot become a global powerhouse and then dominate the world."