



Ministry of Corporate Affairs



## NFRA releases the first part of Auditor-Audit Committee Interaction Series titled: Audit of Accounting Estimates and Judgments

### Interactions Enhance Communication Between Auditors and Audit Committees & Promotes Audit Quality and Investor Protection

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The National Financial Reporting Authority (NFRA) has released the first in the series of its Auditor-Audit Committee Interactions, titled, *Audit of Accounting Estimates and Judgments – Part 1: Expected Credit Losses (ECL) under Ind AS 109*.

In the course of NFRA's enforcement, review and monitoring activities, the auditor's communication with those Charged With Governance (TCWG) (including the Audit Committees) has been variously highlighted. A need has been felt through these activities towards reinforcing the ways and means of communication between the Statutory Auditors and the Audit Committees in particular drawing upon the requirements in the Companies Act 2013 (CA 2013), the two relevant Standards on Auditing (SA 260 (R) and 265), other related SAs and the Standard on Quality Control (SQC).

Therefore, in accordance with NFRA's obligations to suggest measures for improvement in overall audit quality and to promote awareness and significance of accounting and auditing standards, auditor's responsibilities, audit quality, and keeping in view NFRA's objectives of protecting public interest and investor protection, NFRA is commencing with this series of Auditor-Audit Committee Interactions, which will be issued on significant areas of accounting and auditing, from time to time.

This Auditor-Audit Committee Interactions Series 1 draws the attention of the auditors to the potential questions the Audit Committees/Board of Directors may ask them in respect of accounting estimates and judgments. Within that, this communication being the first in this series, includes aspects pertaining to the audit of Expected Credit Losses (ECL) for financial assets and other items as required by Ind AS 109, *Financial Instruments*.

(<https://nfra.gov.in/nfra-auditor-audit-committee-interaction-series-1-accounting-estimates-ecl/>)

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