



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण  
NATIONAL FINANCIAL REPORTING AUTHORITY

ANNUAL REPORT  
2024-25



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## FROM THE DESK OF THE CHAIRPERSON NATIONAL FINANCIAL REPORTING AUTHORITY



It is with great honour that I present the Annual Report of the National Financial Reporting Authority (NFRA) for the year 2024-25.

Over the past year, NFRA has further consolidated its role as an independent regulator for accounting and auditing, working steadfastly to protect public interest and strengthen trust in financial reporting. Auditing standards play a vital role in upholding integrity and transparency in financial reporting. These standards ensure that audits are conducted with consistency and professionalism, reinforcing stakeholder confidence. The Authority has recommended a comprehensive set of 40 auditing standards to the Government of India for consideration of notification under Section 143 (10) of the Companies Act, 2013 thereby aligning the Indian audit regulatory framework more closely with international best practices. The Authority has taken significant strides through disciplinary actions in cases involving major public interest, firm-wide audit quality inspections, and issuance of advisories and circulars to prevent recurrence of audit failures.

NFRA has placed equal emphasis on outreach, guidance, and collaboration. The Authority has engaged extensively with stakeholders including Audit Committees, independent directors, professional bodies, academia, and international regulators to strengthen systemic accountability in financial reporting. NFRA participation in global forums such as IFIAR, PCAOB, and ASEAN regulatory platforms has not only enriched our perspectives but also contributed to India's growing leadership in shaping global audit regulation.

Going forward, NFRA will continue to work towards its mandate and emphasise capacity building, stakeholder engagement, and systemic improvements. Our vision is to foster a transparent, credible, and investor-friendly financial reporting ecosystem that supports India's rapid economic growth and enhances global confidence in our markets.

I place on record my appreciation for the valuable contributions of the Members, officers, and staff of NFRA during the year, and I look forward to their continued dedication as we strengthen the foundations of public trust and accountability in financial reporting.

A handwritten signature in blue ink, appearing to read "Nitin Gupta".

(Nitin Gupta)  
Chairperson, NFRA



## COMPOSITION OF THE AUTHORITY AS ON 31.03.2025

The National Financial Reporting Authority comprises the Chairperson, Full-Time Members and Part Time Members.

The Executive Body comprises the Chairperson and Full-Time Members



**Dr. Ajay Bhushan Prasad Pandey**  
Chairperson, NFRA  
Assumed Office on 1 April 2022



**Dr. P. K. Tiwari**  
Full Time Member, NFRA  
Assumed Office on 28 March 2022



**Ms. Smita Jhingran**  
Full Time Member, NFRA  
Assumed Office on 19 April 2022

### Part-Time Members of NFRA as on date 31.03.2025:

1. Shri Inder Deep Singh Dhariwal, Joint Secretary – Ministry of Corporate Affairs (MCA)
2. Shri Anand Mohan Bajaj, Dy. C&AG, O/o Comptroller and Auditor General of India (CAG)
3. Ms. Sudha Balakrishnan, Chief Financial Officer – Reserve Bank of India (RBI)
4. Shri Pramod Rao, Executive Director - Securities and Exchange Board of India (SEBI)
5. Professor R. Narayanaswamy, Ex-Faculty of Finance & Accounting, IIM Bangalore
6. Professor Sanjay Kallapur, Professor of Accounting at Indian School of Business (ISB), Hyderabad
7. President, Institute of Chartered Accountants of India (ICAI)
8. Chairperson, Accounting Standards Board - Institute of Chartered Accountants of India (ICAI)
9. Chairperson, Auditing and Assurance Standards Board - Institute of Chartered Accountants of India (ICAI)



## About NFRA

The National Financial Reporting Authority (NFRA) is a statutory body notified on 1 October 2018 under Section 132 of the Companies Act, 2013. The main objective of NFRA is to protect public interest and the interests of investors, creditors and others associated with companies or bodies corporate by establishing high-quality standards of accounting and auditing and exercising effective oversight of accounting functions performed by the companies and bodies corporate and auditing functions performed by the auditors.



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Gazette notification

### 1. Evolution and Background

It was experienced at various forums that the existing regulatory apparatus provided under the Chartered Accountants Act of 1949 was unable to maintain required discipline and accountability amongst Chartered Accountancy professionals due to challenges posed by self-regulation of the profession. The Standing Committee on Finance- Companies Bill 2009, while discussing the role of auditors, discussed the need for establishment of an independent audit regulator. Further, the Companies Law Committee Report, 2016, highlighted unsatisfactory oversight over the profession, prior to establishment of NFRA.

The Hon'ble Supreme Court of India vide its judgment dated February 23, 2018, in the matter of S. Sukumar vs The Secretary, Institute of Chartered Accountants of India & Ors., stated that the Union of India should consider appropriate legislation and mechanism for oversight of profession of auditors on the lines of Sarbanes-Oxley Act, 2002, and Dodd Frank Wall Street Reform and Consumer Protection Act, 2010 of USA.

Therefore, in line with the global trend of shift from self-regulatory organisations to an independent regulatory and oversight body, the Parliament, after due deliberation and on the recommendations of various expert committees, created an independent regulatory body with the establishment of NFRA in terms of Section 132 of the Companies Act, 2013.

### 2. Mandate and Domain

The objective of NFRA is enshrined in Rule 4 (1) of the NFRA Rules 2018, which provides that the Authority shall protect the public interest and the interests of the investors, creditors and others associated with the companies or bodies corporate governed under Rule 3 of NFRA Rules 2018 by establishing high quality standards of accounting and auditing and exercising effective oversight of accounting functions performed by the companies and bodies corporate and auditing functions performed by the auditors. Rules 7, 8 and 9 of the NFRA Rules 2018 prescribe the various powers and functions of NFRA as arising from its monitoring, review and oversight functions.



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NFRA Rules 2018

Rule 3 of NFRA Rules 2018 provides for the class of companies over which NFRA has jurisdiction. The Rule states that NFRA shall have power to monitor and enforce compliance with accounting standards and auditing standards, oversee the quality of service under Sub-Section (2) of Section 132

of the Companies Act, 2013 or undertake investigation under Sub-Section (4) of such section of the auditors of the following class of companies and bodies corporate, namely: -

- a) companies whose securities are listed on any stock exchange in India or outside India;
- b) unlisted public companies having paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31<sup>st</sup> March of immediately preceding financial year;
- c) insurance companies, banking companies, companies engaged in the generation or supply of electricity, companies governed by any special Act for the time being in force or bodies corporate incorporated by an Act in accordance with clauses (b), (c), (d), (e) and (f) of sub-section (4) of section 1 of the Act;
- d) any body corporate or company or person, or any class of bodies corporate or companies or persons, on a reference made to the Authority by the Central Government in public interest; and
- e) a body corporate incorporated or registered outside India, which is a subsidiary or associate company of any company or body corporate incorporated or registered in India as referred to in clauses (a) to (d), if the income or net worth of such subsidiary or associate company exceeds twenty per cent of the consolidated income or consolidated net worth of such company or the body corporate, as the case may be, referred to in clauses (a) to (d).

### **3. Functions and Powers of NFRA**

As per Sub Section (2) of Section 132 of the Companies Act, 2013, notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority Shall-

- (a) make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by the companies or class of companies or their auditors, as the case may be;
- (b) monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed;
- (c) oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed; and
- (d) perform such other functions relating to clauses (a), (b) and (c) as may be prescribed. NFRA shall-

As per Sub Section (4) of Section 132 of the Companies Act, 2013, notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority Shall-

- (a) have the power to investigate, either suo motu or on a reference made to it by the Central Government, for such class of bodies corporate or person, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949 (38 of 1949):

Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the National Financial Reporting Authority has initiated an investigation under this section;

- (b) have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, (5 of 1908), while trying a suit, in respect of the following matters, namely: -
  - i) discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority;
  - ii) summoning and enforcing the attendance of persons and examining them on oath;
  - iii) inspection of any books, registers, and other documents of any person referred to in clause (b) at any place;
  - iv) issuing commissions for examination of witnesses or documents;
- (c) Where professional or other misconduct is proved, have the power to make order for—
  - (A) imposing penalty of—
    - I. not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and
    - II. not less than five lakh rupees, but which may extend to ten times of the fees received, in case of firms;
  - (B) debarring the member or the firm from—
    - I. being appointed as an auditor or internal auditor or undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate; or
    - II. performing any valuation as provided under section 247, for a minimum period of six months or such higher period not exceeding ten years as may be determined by the National Financial Reporting Authority.

Explanation--- For the purposes of this sub-section, the expression “professional or other misconduct” shall have the same meaning assigned to it under Section 22 of the Chartered Accountants Act, 1949 (38 of 1949).

#### **4. NFRA Charter**

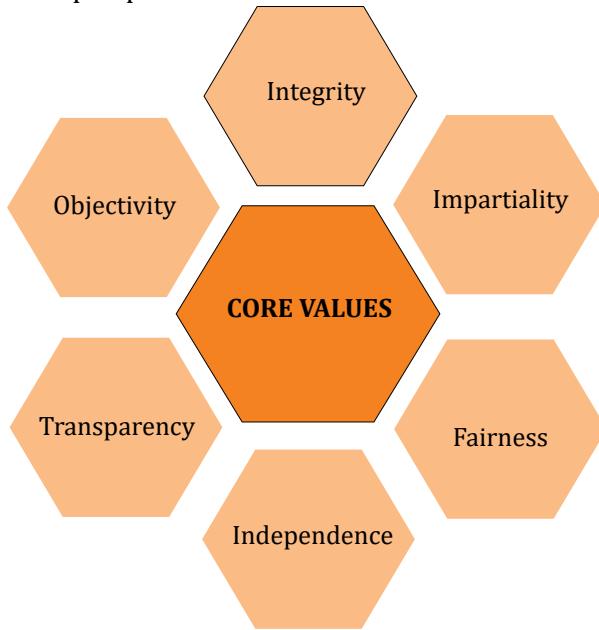
NFRA has adopted a charter outlining its aims and commitments, which states the following:

- a) The objective of the NFRA is to continuously improve the quality of all corporate financial reporting in India.
- b) The quality of corporate financial reporting will be measured and evaluated essentially by its compliance with the law and the statutorily notified accounting standards and auditing standards.
- c) NFRA will strive for continuous improvement of corporate financial reporting across all types of Public Interest Entities (PIEs) and across all size categories of audit firms.
- d) NFRA aims to be an organization noted for integrity, industry, and competence.
- e) Persons who work for NFRA will adhere to the highest standards of uncompromising integrity, possess a vision of transforming the quality of corporate financial reporting, and display high levels of initiative and an unflagging drive for their work.

## 5. Core Values

The core values of NFRA are as follows:

- a) Objectivity - No subjective action from either members or staff, openness to all facts/views/opinions without any pre-conceived conclusions or pre-judging any matter.
- b) Integrity - Across cases/persons/firms, absence of multiple standards, uniform treatment of all those identically/similarly placed.
- c) Impartiality - Discharge of its functions without fear or favour.
- d) Independence - Equidistant from all stakeholders.
- e) Fairness - Not imposing unfair burdens especially with the benefit of hindsight.
- f) Transparency- Fair and open processes.



**Figure 1: Core Values of NFRA**

NFRA's functioning will at all times be mindful of the need to promote the ease and speed of doing business and will be guided always by the overall public interest, with all its actions being strictly anchored by and lying within, its legal mandate.

## 6. Organisational Structure

The National Financial Reporting Authority (Manner of Appointment and other Terms and Conditions of Service of Chairperson and Members) Rules, 2018 provides that the National Financial Reporting Authority shall consist of the following persons to be appointed by the Central Government, namely: -

- a) Chairperson.
- b) Three Full Time Members and
- c) Nine Part Time Members.

All monitoring, oversight, adjudication, and enforcement functions are performed by the Executive Body comprising the Chairperson and Full Time Members, as per Sub- Section (3B) of Section 132 of the Companies Act, 2013. However, the responsibility to make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, is entrusted to the full Authority which includes the Executive Body and Part-Time Members.

# Key Results and Achievements

## 1. Disciplinary Orders

During the year 2024-25, in pursuance of powers under section 132 (4) of the Companies Act 2013, NFRA issued 23 Disciplinary orders for professional or other misconduct in respect of auditors of Public Interest Entities (PIEs) involving substantial public interest. These involved examination/investigation into matters referred to NFRA by the Ministry of Corporate Affairs, Securities and Exchange Board of India and other organisations, including cases taken up *suo motu* by NFRA. Action was taken in cases where quality of audit was found to be severely deficient, including in respect of Group audits. In several cases, NFRA observed severe deficiencies and lack of understanding on the part of the auditors of their responsibilities in law and improper application of the standards by the auditors, thereby impacting investor, creditor and public interest. Major orders issued by NFRA during the Financial Year 2024-25 are highlighted as follows:

### i) Orders issued in the matter of Coffee Day Group

Coffee Day Enterprises Limited (CDEL), a listed parent company of the Coffee Day Group, engaged in coffee and hospitality business, diverted Rs. 3,535 crore from seven CDEL subsidiaries to Mysore Amalgamated Coffee Estate Limited (MACEL), a promoter-owned entity.

#### a) Order in matter of CDEL for the Financial Year 2018-19

CDEL's funds of Rs 2,226 crores were diverted to MACEL through complex intra-group circular transfers. The outstanding balance receivables from MACEL was understated using uncashed cheque entries to reflect loan repayments. Rs. 2,549 crores in loans to a promoter-controlled entity were fraudulently understated by Rs. 1,706 crores to Rs 849 crores through such entries and evergreening via fund circulation.



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NFRA's examination revealed that the auditor was grossly negligent in assessing the business rationale of such loans and recoverability thereof. Appropriate audit procedures to obtain sufficient appropriate audit evidence to issue audit opinion on the financial statements were not performed. The exposure of CDEL group to MACEL was considered as an important area for audit, but the auditors neither performed the required audit procedures, nor ensured appropriate audit procedures by the other auditors. The auditor did not exercise professional judgement and skepticism. The auditor failed to verify the end use of Rs. 1,055.73 crores in loans and Rs. 1,015 crores in guarantees provided by CDEL to its subsidiaries, as required under the provisions of the Companies Act.

The auditor failed to assess fraud risk in recognition of Rs. 75 crores of interest income by Tanglin Developments Ltd., a subsidiary of CDEL, on loan given to MACEL, which did not recognise corresponding interest expense. This resulted in CDEL wrongly reporting a profit of Rs. 27.93 crores instead of a loss of Rs. 47.07 crores.

The firm's audit documentation system did not comply with Standard on Auditing (SA) 230 and Standard on Quality Control (SQC) 1, as the audit work papers were modified without proper

authorization after sign-off and issuance of the audit report, breaching the requirements of SA 230 and SQC 1.

**b) Order in matter of CDEL for Financial Year 2019-20**

The matter regarding financial irregularities in Coffee Day Group was investigated and an investigation report was available to the auditor, highlighting multiple red flags indicating fraud including lack of commercial rationale in giving loans by subsidiaries of CDEL to MACEL (Rs 3512 crores), evergreening of loans, and the use of pre-signed blank cheques to divert funds.

NFRA found that CDEL's auditors for FY 2019-20 ignored all red flags and chose not to access the subsidiaries' books and records. The auditors issued a disclaimer on CDEL's financial statements due to concerns over Rs. 3,512 crores linked to MACEL. However, the auditor ignored red flags and did not report the fraud, violating auditing standards and legal provisions. The auditor did not verify whether CDEL passed necessary special resolution before extending Rs. 1,941.46 crores in loans and guarantees to its subsidiaries, and whether the funds were used for their principal business activities.

**ii) Order in matter of Brightcom Group Limited (BGL) for Financial Years 2019-20, 2020-21 and 2021-22.**

Brightcom Group Limited (BGL), a listed entity, was engaged in digital advertising and media. Information regarding financial irregularities involving BGL and its auditors prompted an investigation into potential professional misconduct. The auditors were asked to provide audit files and crucial documents. The auditors provided incomplete information to NFRA. The auditor failed to comply with statutory requirements, exhibited gross negligence, and lacked due diligence in their professional conduct. Despite a show cause notice for non-cooperation and multiple opportunities for personal hearings, the firm remained uncooperative. Auditor also submitted a false affidavit to avoid both, the submission of documents and personal hearings.



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**iii) Order in matter of DB Realty Limited (DBRL) for Financial Year 2015-16**

DBRL, a listed company, is engaged in the real estate business. NFRA's investigation into DB Realty Limited (DBRL) found serious lapses in audit procedures performed by the Auditor and Engagement Quality Control Reviewer (EQCR). The Auditor failed to exercise professional skepticism, conduct appropriate audit procedures, and obtain sufficient audit evidence regarding Rs 3,894.43 crores in guarantees and securities given to lenders of related parties. The audit report misled the financial statement users, with a qualified opinion on an immaterial item of Rs 1.92 lakhs, while parking significant financial issues of Rs 6,972 crores in Emphasis of Matter paragraph in the audit report without performing appropriate audit procedures. The auditor failed to properly assess loans and advances worth Rs 1,326.92 crores (Rs 1,079 crores given to related parties) and investments of Rs 2,456 crores in financially weak related parties.



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**iv) Order in matter of Vikas WSP Ltd. for Financial Year 2019-20**

The audit firm which conducted statutory audit of Vikas WSP Ltd. for FY 2019-20 was held guilty of professional misconduct for failing to comply with Standards on Auditing (SAs), Standards on Quality Control (SQC 1), and the Code of Ethics. Key violations included failure to report on material misstatements in financial statements due to non-recognition of interest costs on NPA loans, absence of adequate audit documentation, non-appointment of EQCR, and lack of documented audit evidence of communication with Those Charged with Governance. The firm did not ensure compliance with quality control procedures or demonstrate due diligence.



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**v) Order in matter of Vikas Proppant and Granite Limited for Financial Years 2018-19, 2019-20 and FY 2020-21**

Vikas Proppant and Granite Limited, a listed Company was engaged in the mining of Granite Blocks and manufacturing of Proppants. In this matter two orders were issued whose details are highlighted as follows:

**For 2018-19 and 2019-20**

The audit failures included failure to plan the audit and understand the nature of the entity and its environment, failure to evaluate the internal audit function, failure to determine materiality and performance materiality, failure to report the non-provisioning in respect of the Expected Credit Loss, failure to evaluate the arm's length pricing for the Related Party Transactions, failure to report non charging of depreciation of leasehold land and plant & machinery, failure to assemble the Audit File within 60 days of the completion of the audit, failure to obtain sufficient and appropriate audit evidence & failure to determine appointment of Engagement Quality Control Reviewer (EQCR).



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**For FY 2020-21**

The audit failures included failure to report the non-provisioning in respect of expected credit loss , failure to evaluate the arm's length pricing regarding the compliance of Section 177 & 188 for the Related Party Transactions, failure to plan the audit and understand the nature of the entity and its environment, failure to verify opening balances, failure to determine materiality and performance materiality, failure to report on the entity's ability to continue as a Going Concern, failure to report non charging of depreciation of leasehold land and plant & machinery, failure to assemble the audit file within 60 days of the completion of the audit, failure to obtain sufficient and appropriate audit evidence through external confirmations, failure to appropriately communicate with Those Charged With Governance, failure to appoint of Engagement Quality Control Reviewer (EQCR).



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**vi) Order in matter of Ushdev International Limited (UIL) for Financial Year 2017-18**

UIL was primarily engaged in the business of metal trading and wind power generation. The company was undergoing Corporate Insolvency Resolution Process (CIRP). The audit failures include the auditor's failure to analyse the significant increase in provision for trade receivables and advances from a fraud angle and discharge his obligations under Section 143(12) of the Companies Act 2013, failure to obtain sufficient appropriate audit evidence (SAAE) in the audit of valuation of UIL's investments in fellow subsidiaries and another company whose group companies had defaulted on the receivables due from them, failure in maintaining proper audit documentation, failure to point out non-compliances with Ind AS 16 etc.



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**vii) Order in matter of CMI Limited for Financial Years 2019-2020, 2020-21 and 2021-22**

CMI Limited is engaged in designing and manufacturing of electrical wires, cables and conductors. The auditors failed to report a misstatement involving non-recognition of interest on NPAs, which understated interest cost, current liabilities, and the company's reported loss. They ignored going concern risks despite CMIL's revenue falling from ₹637.30 crore in FY 2018-19 to ₹201.70 crore in FY 2020-21, PAT from ₹45.08 crore to (-) ₹194.60 crore, and net worth from ₹305.97 crore to ₹117.12 crore. Critical audit procedures lacked sufficiency in areas like materiality, inventory, revenue, and audit results. No physical verification was done for inventories worth ₹187.67 crore, ₹154.47 crore, and ₹36.67 crore in FY 2019-20, 2020-21, and 2021-22 respectively. External confirmations for trade receivables of ₹231.34 crore, ₹135.29 crore, and ₹110.64 crore were also not obtained, alongside failure to comply with standards on engagement quality control and communication with Those Charged With Governance.



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**viii) Order in matter of Sanwaria Consumer Limited for Financial Year 2017-18**

Sanwaria Consumer Limited is engaged in trading and manufacturing of rice, soya products, oils and other edible items.

The Auditor failed to verify inventories, leading to overvaluation of soya seed by ₹18.93 crore and paddy by ₹13.30 crore. He did not assess ownership or impairment of investments worth ₹38.42 crore in loss-making subsidiaries and associates. There was failure to report non-compliance with consolidation requirements, and in-sufficient audit evidence was obtained for unsecured trade receivables amounting to ₹57.86 crore. Risk assessment for revenue of ₹524.17 crore was not carried out, increasing the risk of material misstatement. Audit documentation was inadequate, and internal control deficiencies were not communicated to Those Charged With Governance.



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**ix) Order in matter of Reliance Capital Limited for Financial Year 2018-19:**

In the audit of Reliance Capital Limited (RCL), the auditors demonstrated significant audit deficiencies. The Consolidated Financial Statements for FY 2018-19 show that RCL maintained bank loans of approximately ₹12,000 crore and external borrowings nearing ₹32,000 crore, which were used to finance loans and investments in group companies. The joint auditor, who resigned without issuing an audit report, flagged suspected fraud involving about ₹12,571 crore in loans and investments to certain related parties.



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However, the continuing auditor failed to independently verify these serious concerns. Their shortcomings were compounded by self-review practices, the inappropriate use of an Emphasis of Matter paragraph in the audit report and inadequate scrutiny of management's assertions regarding the recoverability of ₹6,557 crore in loans and a ₹2,577 crore Expected Credit Loss provision. Consequently, the reliability of the audit opinion and the financial statements was severely undermined.

**x) Order in matter of Reliance Commercial Finance Limited for Financial Year 2018-19:**

In respect of Reliance Commercial Finance Limited, the audit failures included accepting the engagement without consulting the predecessor auditor and deviating from the firm's quality control policies. Instead of modifying the audit report, an inappropriate Emphasis of Matter was included in the audit report, improperly conveying management's stance on suspected fraud. Furthermore, the auditors failed to obtain sufficient evidence regarding the Expected Credit Loss provision of ₹537 crore on loans amounting to ₹12,224 crore and did not adequately question management's assertions. The Auditors also failed to adequately examine the end-use of loans, indications of siphoning of funds from the company, management override of controls, and the business rationale of sanctioning and disbursing loans by the Company. None of these factors was adequately reflected in the Auditor's assessment of risks of material misstatement due to fraud. These lapses in professional skepticism and due diligence rendered the audit opinion misleading.



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**xi) Order in the matter of Reliance Home Finance Limited for Financial Year 2018-19:**

For Reliance Home Finance Limited, as of 31 March 2019, total assets stood at approximately ₹18,100 crore, with external liabilities of about ₹6,300 crore, over ₹4,800 crore of which comprised debt from debentures, bank borrowings, and commercial papers. The auditors displayed gross negligence in evaluating risks linked to loan disbursements. Despite the resignation of the previous auditor and fraud concerns involving nearly ₹7,900 crore in loans, auditor failed to scrutinise the company's practice of extending General Purpose Corporate Loans to financially weak entities, which had led to funds being diverted to other group companies. The audit also fell short in rigorously assessing the going concern assumption and validating the Expected Credit Loss (ECL)—recorded at approximately ₹278 crore on loans of ₹6,259 crore, with only about ₹173 crore recognised on nearly ₹7,849 crore in credit-impaired loans—ultimately compromising the reliability of the audit opinion.



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**xii) Order in the matter of Zee Limited for Financial Year 2018-19 and 2019-20:**

During FY 2018-19 and 2019-20, significant audit lapses were observed at Zee Limited in its ambit of related party transactions. The auditors failed to report a significant transaction involving the group chairman and a major private sector bank. The auditors were grossly negligent, lacking requisite skepticism and due diligence, failing to challenge management assertions or assess suspected fraud which needed to be reported under Section 143(12) of Companies Act 2013, which was evidenced by unauthorised guarantees, premature fixed deposit closure, and misuse of ZEEL's funds.



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**xiii) Order in the matter of DHFL Branch Auditors for Financial Year 2017-18:**

NFRA examination revealed critical audit deficiencies by the DHFL branch auditors. They accepted their appointments in FY 2017-18 without sufficient legal basis and subsequently issued an audit report without ensuring that the financial statements and associated records were thoroughly examined by a competent team member. This fundamental oversight in basic audit procedures cast significant doubts on the reliability of the audit process and the robustness of the internal control environment.



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## **2. Firm-Wide Audit Quality Inspections**

In keeping with the functions entrusted to NFRA under Section 132 of the Companies Act 2013, audit quality inspections are a key tool with the Regulator to fulfil its statutory obligations. The mandate for inspections is derived under Section 132 (2) of the Companies Act 2013 and relevant provisions in NFRA Rules 2018. The overall objective of inspections is to evaluate compliance of the audit firm/auditor with auditing standards and other regulatory and professional requirements, and the sufficiency and effectiveness of the quality control system of the audit firm/auditor including:

- i) adequacy of governance framework and its functioning
- ii) effectiveness of firm's internal control over audit quality
- iii) system of assessment and identification of audit risks and mitigating measures

As a follow-up of NFRA inspections, audit firms in India have either updated or undertaken to update their policies regarding providing non-audit services to their audit clients. This is a significant improvement in large audit firms' policies around adherence to independence requirements (which is the starting point for ensuring audit quality) by most of the inspected large audit firms.



Scan to read all Inspection Reports

As on 31 March 2025, 12 inspection reports have been published on NFRA website (<https://nfra.gov.in/document-category/inspection-reports/>).

In all audit quality inspections, focus areas were internal financial controls over revenue, related party transactions, and impairment of non-financial assets. Firm-wide inspections by NFRA during FY 2024-25 are highlighted as follows:

**(i) M/s Price Waterhouse Chartered Accountants LLP and M/s Price Waterhouse & Co Chartered Accountants LLP:**

NFRA conducted audit quality inspections of M/s Price Waterhouse Chartered Accountants LLP and M/s Price Waterhouse & Co Chartered Accountants LLP. The inspection included a review of remedial actions taken by PWCA to address previously reported deficiencies. Additionally, three audit engagements for the year ending 31 March 2023, were examined.

As part of the review of remedial actions, PWCA was advised to update its Independence Policy Manual by incorporating clear measures to eliminate any ambiguity and prevent unintentional non-compliance with the statutory framework in India.

The inspection further revealed that the audit firm did not adequately perform arm's length testing of related party transactions and there were deficiencies in maintaining sufficient documentation, demonstrating a comparative analysis with similar transactions conducted with unrelated parties, as mandated by Ind AS 24.

**(ii) M/s BSR & Co. LLP:**

NFRA conducted audit quality inspections of M/s BSR & Co. LLP. The inspection included a review of remedial actions taken by BSR to address previously reported deficiencies. Additionally, two audit engagements for the year ending 31 March 2023, and one audit engagement for the year ending 31 March 2022, were examined.

As part of the review of remedial actions, BSR was advised to review its Independence Policy in order to comply with Section 144 of the Act in respect of KPMG entities providing non-audit services to overseas subsidiaries of Indian companies.

**(iii) M/s Lodha & Co. LLP:**

NFRA conducted audit quality inspections of M/s Lodha & Co. LLP. The inspection included a review of the quality control policy of the Firm and five audit engagements for the year ending 31 March 2023, were examined.

As part of the review, the Firm was advised to review its forms and checklists for personnel independence declarations to include updated definitions as per Companies Act 2013 and the same forms and checklists be applied across all its branches. They were also advised to strengthen their policy on audit documentation, consultations and monitoring. They were further advised to review and strengthen policy on confidentiality of electronic data that are obtained in electronic form and stored in electronic devices, cloud storage and email folders of Engagement Team members.

In the audit engagements reviewed, deficiencies were identified in four audit engagements across all audit areas.

**(iv) Deloitte Haskins & Sells LLP:**

NFRA conducted audit quality inspections of M/s Deloitte Haskins & Sells LLP (DHS). The inspection included a review of remedial actions taken by DHS to address previously reported deficiencies. Additionally, three audit engagements for the year ending 31 March 2022 and 31 March 2023, were examined.

As part of the review of remedial actions, NFRA noted that the definition of PIEs as defined in the audit firm's voluntarily adopted Non-Audit Service (NAS) guidelines is different from Rule 3 of the NFRA Rules, 2018. The audit firm submitted to bring it in conformity with the Rules.

The inspection further revealed that the audit firm in some selected audit engagements did not perform sufficient appropriate audit procedures for the verification of related party transactions being on arm's length basis and there was inadequate evaluation of competence, capability, objectivity and work of the auditor's expert as per the requirements of SA 620.

**(v) M/s Walker Chandiok & Co LLP :**

NFRA conducted an audit quality inspection of M/s Walker Chandiok & Co LLP (WCCL). The inspection included a review of the remedial action taken by WCCL to address previously reported deficiencies. Additionally, three audit engagements for the year ending 31 March 2023, were examined.

The inspection concluded that in the absence of any clear recognition by WCCL that all the network entities of GTIL of which they are a part, are needed to be considered while determining the compliance with the independence requirements, there is no assurance that WCCL complies with the independence requirements of the Companies Act 2013, the Code of Ethics and SQC1. The Firm should ensure full compliance with Section 144 of the Companies Act, 2013.

The inspection further revealed that WCCL did not adequately perform arm's length testing of related party transactions and audit procedures for ICFR -revenue. The firm's audit documentation for related party transactions and impairment of non-financial assets, declaration on personal independence and EQCR's sign off was also inadequate.

**(vi) M/s MSKA & Associates:**

NFRA conducted audit quality inspections of M/s MSKA & Associates. The inspection included review of SQC 1 and five audit engagements for the year ending 31 March 2023.

As a result of inspection, the audit firm informed that its network entities will not provide non-audit services to its audit clients. This will enhance independence of auditor and the audit quality. In addition, the audit firm agreed to strengthen its quality control policy/procedure in the areas of Leadership Responsibilities for Quality within the firm, clients acceptance and continuation, maintenance of audit work papers, related party transactions, ICFR revenue and impairment of non-financial assets.

**(vii) M/s SRBC & Co. LLP :**

NFRA conducted audit quality inspections of M/ SRBC & Co. LLP. The inspection included a review of remedial actions taken by the audit firm addressing previously reported deficiencies. Additionally, three audit engagements for the year ending 31 March 2023, were examined.

As a result of inspection, the audit firm decided that its network entities will not provide non-audit services (subject to some exceptions) to its audit clients. This will enhance independence of auditor and the audit quality.

In addition, the audit firm agreed to strengthen its quality control policy/procedure in the areas of leadership Responsibilities for Quality within the firm, engagement quality control review, maintenance of audit work papers, related party transactions, and ICFR revenue.

### 3. Circulars and Advisories

One of the important roles and responsibility of NFRA as an independent regulator is to protect the public interest and the interest of investors, creditors etc., by exercising effective oversight of accounting and auditing functions performed by companies and their auditors, respectively. During the course of its various monitoring and investigation activities, it was decided to issue circulars to reiterate provisions of law and standards in areas where non-compliance of the standards and/or laws and rules was observed across cases. Accordingly, circulars were issued with a view to prevent recurrence of such non-compliances and bring in systemic improvement in the quality of financial reporting in India, towards advising and guiding various stakeholders.

**During the year, NFRA issued a circular dated 03 October 2024 in respect of 'Responsibilities of Principal Auditor and Other Auditors in Group Audits':**

In the course of performing its functions such as exercising oversight and monitoring and enforcing compliance, NFRA has observed gross negligence and audit failure in audits of Group Financial Statements (cases of Group Audits involving various companies). Instances include Reliance Capital Limited, Reliance Home Finance Limited, Reliance Commercial Finance Limited, Coffee Day Enterprises Limited, Dewan Housing and Finance Limited, and audit quality review of IL&FS. In the cases dealt with by NFRA, moneys had been diverted through subsidiaries and associates. The Principal Auditors did not raise red flags at the right time despite indicators of fraud, going concern issues and diversion of funds, as they relied on fallacious interpretations of Auditing Standards to not go into these issues, and instead completely relied upon the clean audit reports of the Component Auditors.



Scan to read  
Circular

The combined effect of these have resulted in a loss of tens of thousands of crores in the financial and capital market, adversely impacting investors, including retail investors, and creditors, involving huge public interest. Therefore, in exercise of NFRA's powers under Section 132 (2) (b), (c), (d) of the Companies Act, 2013 read with Rule 4 (1), 4 (2) (e) and Rules 3, 4 and 9 of NFRA Rules 2018, the auditors' obligations under the Companies Act 2013 and existing requirements in SA 600 and related standards, were reiterated in this circular, so that interpretations of the provisions of SA 600 by the auditors remain consistent with their obligations under the Companies Act 2013, Standard on Quality Control and other applicable Standards of Auditing.

### 4. Professional Standards recommended for notification

Subsection 2(a) of section 132 of Companies Act 2013 prescribes that NFRA shall make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be. During the year, the Authority held a total of 6 meetings where important issues were deliberated and proposals were drafted to be sent to MCA for notification.

Rule 4(1) of NFRA Rules 2018 requires NFRA to establish high quality auditing and accounting standards towards protecting public interest and the interest of the investors & creditors. The existence of high-quality standards in line with contemporary global best standards and practices is a sine qua non for effective role of Independent Regulators.

## **NFRA's recommendation to MCA on Auditing Standards for Companies**

During the current year, NFRA laid emphasis on formulation of high-quality Auditing Standards including Audit Quality Management Standards. Section 143 (10) of the Companies Act 2013 ushered in a paradigm shift in the standard-setting framework in the area of audit of companies, whereby the standard-setting became part of the law, including evaluation and recommendation of the auditing standards by the Authority.

NFRA undertook a comprehensive review of the existing standards and framework vis-à-vis the prevailing international audit and assurance standards issued by the International Audit and Assurance Standards Board (IAASB). It was observed that the current Standards on Auditing (SAs) and the highly interrelated Standards on Quality Control of Audit needed alignment with the contemporary audit and assurance standards framework of the IAASB. Accordingly, the Authority undertook a suitable review of the auditing and audit quality management standards vis-à-vis global practices and suitably incorporated global best practices and standards. In respect of a critical deficiency in the audit standard on group audits viz. SA 600, the Authority undertook public consultation by issuing exposure draft of the revised SA 600, outreach meetings with stakeholders, before its finalising its recommendations on the revised SA 600.

The Authority deliberated the standards in its meetings held on 15 May 2024, 26 August 2024 and 11 & 12 November 2024. Based on these deliberations, the Authority finalised a set of 40 standards comprising 35 standards on auditing, 3 standards on auditing in specialised areas and 2 standards on audit quality management. Subsequently, in December 2024, the Authority recommended a set of 40 Standards to the Ministry of Corporate Affairs (MCA) for consideration of notification under Section 143 (10) of the Companies Act 2013.

## ***Indian Accounting Standards (Ind ASs)***

Ind ASs, substantially converged with high-quality globally accepted IFRS Accounting Standards, occupy a strategic role in enabling level playing to the Indian Corporates to attract global capital and compete globally. The Authority also recognises the compliance with Ind ASs as an important regulatory tool to protect the interest of investors and other creditors with a stake in the quality and comparability of financial statements of corporates. In this context, the Authority continued to evaluate the proposals of the ICAI to remain converged with IFRS Accounting Standards and during 2024-25, considered the following two proposals of the ICAI and recommended the same to MCA for issuing notification u/s 133 of the Companies Act 2013 to amend the Companies (Indian Accounting Standards) Rule 2015.

- ❖ Ind AS 12, *Income Taxes - Amendment 'International Tax Reform- Pillar Two Model Rules'*
- ❖ Ind AS 21, *The Effects of Changes in Foreign Exchange Rates- Amendment 'Lack of Exchangeability'*

## ***Accounting Standards for non-Ind AS Companies***

Accounting Standards applicable to non-Ind AS Companies are prescribed under the Companies (Accounting Standards) Rule 2021 read with Section 133 of the Companies Act 2013. During the year 2024-25, the Authority considered and accepted the ICAI proposal to amend AS 22, *Accounting for Taxes on Income* in line with Ind AS 12 to address the matter of proposed International Tax Reform called Pillar Two Model Rules.



***Picture 1: Proposals being discussed in NFRA Authority Meeting in FY 2024-25***

### ***Limited Liability Partnerships (LLPs)***

Consequent to amendment in Section 34 of Limited Liability Partnerships Act 2008, the standards of accounting and standards of auditing may be prescribed by the Central Government in consultation with the NFRA as recommended by the ICAI. NFRA undertook study of accounting and auditing framework for LLPs in a few developed economies. During the year 2024-25, the Authority completed its task of evaluating the proposals of the ICAI and recommended the results of its review to the Ministry of Corporate Affairs.

## Interaction with key stakeholders

Auditors impart credibility to the information presented in the financial reports. Preparers produce the financial reports and are primarily responsible for the accuracy and reliability of the information in them. Users are the *raison d'être* of financial reporting and, therefore, are central to its purpose. Academicians use financial reports in their teaching and research. Auditors, preparers, users, and academia have significant stakes in the development of accounting and auditing regulations and in their effective monitoring and enforcement.

The primary stakeholders of NFRA include the Parliament, Ministry of Corporate Affairs, financial statement preparers, auditors, users of financial statements, and the academia. Other key stakeholders include government departments and ministries as well as organisations and individuals with specific interest in the subjects of the accounting and audit quality like SFIO, SEBI, RBI, etc. and the media.

### 1. NFRA Outreach and Advocacy for High-Quality Financial Reporting Framework

NFRA is mandated to protect the public interest and the interest of investors and creditors by establishing high quality accounting and auditing standards and exercising effective oversight over the preparers and auditors of financial statements of prescribed class of companies (Public Interest Entities - PIEs).

NFRA is also specifically obligated to oversee the quality of service of the related professions and promote awareness about compliance with accounting and auditing standards. (S.132(2)(c) of the Companies Act 2013, Rule 4(2)(d) & (e) and Rule 16 of NFRA Rules 2018).

In the above background, in order to fulfil its mandate effectively and efficiently, NFRA advocated a robust model called 'Five Lines of Defence' for ensuring high-quality financial reporting framework in India. This model comprises of the following building blocks:

- ❖ 1<sup>st</sup> Line of Defence: Management comprising CFOs, Risk Management and Internal Audit
- ❖ 2<sup>nd</sup> Line of Defence: Audit Committee and Independent Directors
- ❖ 3<sup>rd</sup> Line of Defence: External Auditors and Audit Profession
- ❖ 4<sup>th</sup> Line of Defence: Investors and Shareholders
- ❖ 5<sup>th</sup> Line of Defence: Independent Regulators

NFRA believes that effective and regular two-way communication and dialogue between the Independent Regulators (5<sup>th</sup> Line of Defence) and other Lines of Defence is essential for driving system-wide improvement in the quality of financial reporting framework in India.

## 2. Interaction with Industry, Independent Directors and Audit Profession:

NFRA continued its initiatives to build an effective two-way communication and dialogue between the Independent Regulators and Auditors. Accordingly, NFRA actively participated in the well established channels of dialogue such as conferences, seminars, round table meetings organised by the stakeholders. Chairperson NFRA highlighted the India's journey and significant progress towards leading economy of the world and need for building trust and credibility of financial information provided by the corporates to its users, particularly the retail investors who have become significant class of investors in the Indian capital and financial markets. In this process, NFRA emphasised critical role of audit committee members, independent directors and members of audit and accounting profession.

During the year 2024-25, NFRA interacted widely, and engaged with the diverse set of stakeholders, as below:

- a) Dr. Ajay Bhushan Pandey, Chairperson, NFRA participated in the meeting on Lines of Defence in Financial Reporting with CFO Board on 10 April 2024.
- b) Dr. Ajay Bhushan Pandey, Chairperson, NFRA delivered special Address at 431st Meeting of the Central Council of the Institute of Chartered Accountants of India on 26 May 2024.
- c) Dr. Ajay Bhushan Pandey, Chairperson, NFRA participated in ASSOCHAM conference held on 31 May 2024 on 'Effective Audit Committee: Enhancing Governance'.



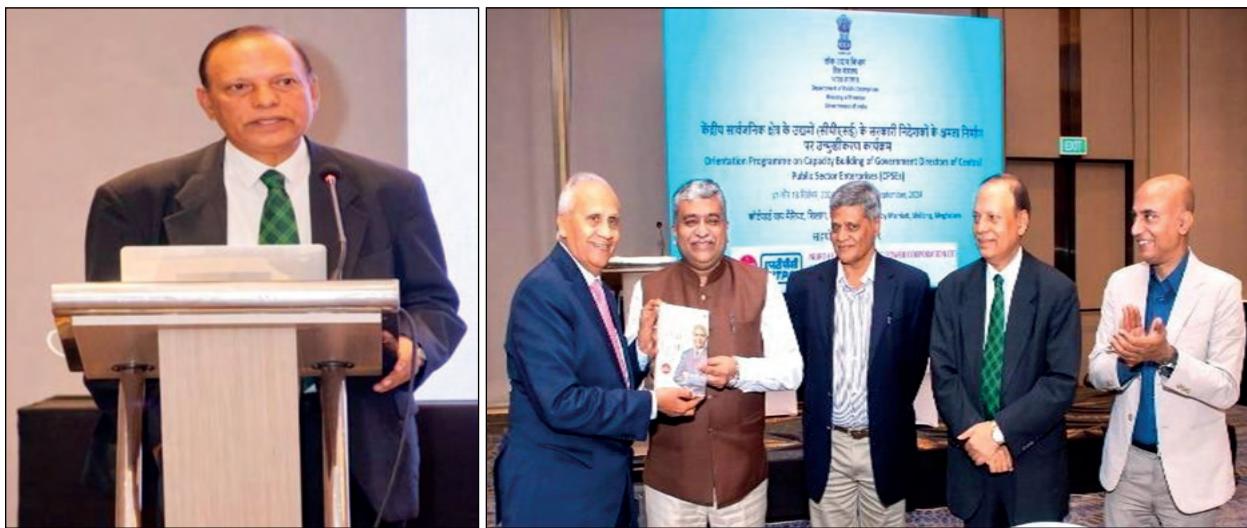
*Picture 2: Dr. Ajay Bhushan Pandey, Chairperson, NFRA at ASSOCHAM Conference on Effective Audit Committee: Enhancing Governance*

- d) Dr. Ajay Bhushan Pandey, Chairperson, NFRA and Ms. Vidhu Sood, Secretary, NFRA participated in Conference of Statutory Auditors and Chief Financial Officers of Commercial Banks and AIFIs, organised by RBI on 09 July 2024 in Mumbai.



**Picture 3: Dr. Ajay Bhushan Pandey, Chairperson, NFRA at RBI Conference of Statutory Auditors and Chief Financial Officers of Commercial Banks and AIFIs**

- e) NFRA participated in Independent Directors Conclave, Indian Institute of Corporate Affairs on 30 August 2024.
- f) Dr. Praveen Kumar, Tiwari, Full Time Member, NFRA delivered lectures on "Improving effectiveness of Audit functions in CPSEs" and on "Roles of Government Directors in Board Committees focusing on Audit Committee" in the 2-day programme on Capacity Building of Functional Directors of Central Public Sector Enterprises (CPSEs) at Kochi on 2nd & 3rd September 2024 and on 17th & 18th September 2024 respectively, which were organised by Department of Public Enterprises, Ministry of Finance.



**Picture 4: Dr. Praveen Kumar Tiwari, Full Time Member, NFRA at Department of Public Enterprises program for capacity building of Functional Directors of CPSEs**

g) NFRA also made outreach to professionals and Industry for their views on NFRA's consultation paper and revised standard SA 600, and held interactive sessions with BCAS (Bombay Chartered Accountants' Society) in Mumbai on 04 October 2024 and KSCAA (Karnataka State Chartered Accountants Association) at Bengaluru on 25 October 2024.



**Picture 5 : Dr. Ajay Bhushan Pandey, Chairperson, NFRA at Bombay Chartered Accountants' Society and Karnataka State Chartered Accountants Association**

h) NFRA and CII (Confederation of Indian Industry) organised a joint workshop with Independent Directors and audit committee members on 04 October 2024. Chairman NFRA, Full Time Members, Secretary, NFRA & NFRA officials attended the workshop. In the workshop a presentation was made on NFRA's role and highlights of certain orders were shared with the participants.



**Picture 6: NFRA & CII workshop with Independent Directors and audit committee members**

i) NFRA participated in ASSOCHAM Virtual Roundtable on Proposed SA 600 'Revised Changes, Challenges and Way Forward' on 08 October 2024.

j) Dr. Ajay Bhushan Pandey, Chairperson, NFRA was invited as Chief Guest in ASSOCHAM National Conference on Changing Landscape of Accounting and Reporting "Navigating Global Standards and Best Practices" held on 17 October 2024.



**Picture 7: Dr. Ajay Bhushan Pandey, Chairperson, NFRA at ASSOCHAM Conference**

- k) Dr. Ajay Bhushan Pandey, Chairperson, NFRA delivered keynote address at the Forum of Firms' international event 'Audit Quality' on 21 November 2024 in New Delhi. Its objective is to promote consistent and high-quality standards of financial reporting and auditing practices worldwide.



**Picture 8: Dr. Ajay Bhushan Pandey, Chairperson, NFRA at Forum of Firms international events**

- l) Ms. Vidhu Sood, Secretary, NFRA delivered the inaugural presentation in webinar series organised by the Bombay Chartered Accountant Society (BCAS) on 'Key learnings from NFRA orders' on 13 December 2024.
- m) Dr. Praveen Kumar, Tiwari, Full Time Member, NFRA delivered keynote address on 17 December 2024 at Seminar of PHD Chamber of Commerce and Industry on Financial Governance and Building Trust.
- n) Dr. Ajay Bhushan Pandey, Chairperson, NFRA delivered keynote address at 17th ISB Accounting Research Conference held on 19 December 2024.



*Picture 9: Dr. Ajay Bhushan Pandey, Chairperson, NFRA at ISB Accounting Research Conference*

- o) Dr. Ajay Bhushan Pandey, Chairperson, NFRA was invited as Chief Guest for Seminar organised by industry forum PHD Chamber of Commerce and Industry at Delhi on 15 January 2025 on "Integrating ESG into Corporate Strategy" which is an important issue of present business and economic environment.
- p) Dr. Ajay Bhushan Pandey, Chairperson, NFRA delivered keynote address at World Forum of Accountants (WOFA) 2025, the Institute of Chartered Accountants of India on 31 January 2025 to 02 February 2025.



*Picture 10: Dr. Ajay Bhushan Pandey, Chairperson, NFRA at WOFA, 2025*

### **3. Audit Committee-Auditor Interaction Series – Staff Series**

In course of NFRA's enforcement, review and monitoring activities, auditor's communication with Those Charged with Governance (TCWG) (including the Audit Committees) had been variously highlighted. NFRA felt the need 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 1).

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, during the year 2024-25, NFRA commenced with a staff series which can help and guide the Auditors and Audit Committee towards enhancing the effectiveness of their communication and interaction, to implement high-quality financial framework in India.

During the year 2024-25, NFRA issued the following documents in this series.

- ❖ Auditor- Audit Committee Interaction Series 1 -Audit of Accounting Estimates and Judgments Part 1 - Expected Credit Losses – Ind AS 109
- ❖ Auditor -Audit Committee Interactions Series 2 Audit Strategy and Audit Plan – SA 300 etc.
- ❖ Auditor -Audit Committee Interactions Series 1 (Part 2)- Audit of Accounting Estimates and Judgments -Income Taxes - Ind AS 12
- ❖ Audit Committee - Auditor Interactions Series 3 dealing with audit of Related Parties – Ind AS 24, AS 18 & SA 550

### **4. Training programme at Indian Corporate Law Service Academy (ICLSA), Ministry of Corporate Affairs**

During April 2024 and January 2025, comprehensive Five (5) day training programmes were conducted for the officers of 13<sup>th</sup> and 14<sup>th</sup> Batch of Indian Corporate Law Service of Government of India. Overall objective of the training programme was to provide a holistic exposure to the newly joined ICLS officers regarding the role, responsibilities and functioning of the NFRA. The training programme structure covered the following key aspects.

- ❖ Statutory Mandate, Purpose and Objective of setting up of the NFRA.
- ❖ 21<sup>st</sup> Century Era of Independent Audit and Accounting Regulators- Global Perspective: International Forum of Independent Audit Regulators (IFIAR), NFRA Peer Group in U.S., U.K., Australia.
- ❖ Role of NFRA in Corporate Governance
- ❖ Policy and process of review and recommendation of Accounting and Auditing Standards in line with international standards
- ❖ NFRA Database of Companies and Auditors
- ❖ Techniques and Tools for monitoring compliance with Auditing Standards – Audit Quality Reports

- ❖ Techniques and Tools for monitoring compliance with Accounting Standards – Financial Reporting Quality Reports
- ❖ Enforcement and Disciplinary Mechanisms for compliance with the applicable standards

## 5. NFRA Webinars on Risk-Based Approach of ISQM-1: Building High Quality Audit Firms

In keeping with its statutory mandates, NFRA organised webinars towards stakeholders' education and awareness on *Risk-Based Approach of ISQM-1: Building High Quality Audit Firms*.

With the transition from SQC-1 to ISQM-1 in various countries and as also proposed by the Authority in its recommendations to MCA, audit firms are required to adopt a proactive quality management framework focusing on risk identification, mitigation, and continuous improvement in audit practices. As part of initiatives to spread awareness to strengthen audit quality and align with global best practices, a webinar on "Risk-Based Approach of ISQM-1: Building High-Quality audit firms" was organized on 08 October 2024.

The webinar was graced by leading experts who shared insights on regulatory expectations, implementation challenges, and strategies for strengthening quality management systems under ISQM-1. It provided participants with a clear understanding of the standard and its role in establishing robust systems of quality management for audit firms in India. The programme was well received, with wide participation and effective dissemination of key messages. It successfully achieved its objective of enhancing awareness of enhanced standards within the audit profession.



*Picture 11: NFRA webinar on Risk-Based Approach of ISQM-1: Building High Quality Audit Firms*

## 6. NFRA- IICA Directors' Certification Program for Audit Committee Members

The National Financial Reporting Authority (NFRA), along with The Indian Institute of Corporate Affairs (IICA), inaugurated the first 4 - Months Online Directors Training Programs for Audit Committee

Members on 02 January, 2025, at the NFRA office. The event was chaired by Dr. Ajay Bhushan Pandey, Chairperson NFRA. Distinguished attendees included Ms. Smita Jhingran, Full Time Member, NFRA; Dr. Praveen Tiwari, Member, Full Time Member, NFRA; Ms. Vidhu Sood, Secretary NFRA; Mr. Nawshir Mirza, Professional Board Member; Mr. Pukhraj Tak, Executive Director NFRA; and Mr. Vidhyadhar Kulkarni, Principal Consultant NFRA.



***Picture 12: Inauguration of 1st Batch of IICA-NFRA Directors' Certification Program for Audit Committee Members***

Chairperson NFRA, delivered the keynote address, emphasizing the critical role of corporate governance in ensuring trust among investors and stakeholders. He highlighted the importance of audit committees and auditors as pivotal institutions contributing to governance effectiveness. He cited various cases from India and abroad to illustrate his points and urged companies to adopt five levels of defense in their governance and operational mechanisms. This approach aims to ensure true and fair disclosures, thereby enhancing trust among retail and institutional investors.

The course received an encouraging response, with 79 board / Audit committee Chairman / members participating, representing over 50 listed and unlisted companies across the country. This program is an ongoing capacity building initiative.

## **7. NFRA-IIT Kanpur's joint Hackathon**

NFRA and IIT Kanpur jointly organised a Hackathon at IIT Kanpur from 28-29 March, 2025 to build awareness and encourage students to build cutting edge solutions using Large Language Models (LLM) and Generative AI. The objective was to demonstrate democratizing complex financial statements so that financial information is more readable and understandable leveraging Generative AI's potential.

Students from various engineering colleges in India participated in hackathon held at IIT Kanpur from 28-29 March 2025. The challenge given was to transform financial data into clear, engaging stories to enable well informed decisions. The hackathon tried to address the challenge, leveraging GenAI. Teams attempted transformative solutions to simplify financial statements and unlock deeper insights.

The hackathon enabled the interaction of academia, students and the regulator joining hands to address common challenges. The solutions were discussed and students were guided how to carry their innovative ideas further forward. The presentations made by the teams at the hackathon showed

that GenAI has the potential to revolutionize financial statement analysis by simplifying complex financial concepts, automating data extraction, and generating insightful narratives. As technology continues to evolve, stakeholders can expect to see increased adoption in financial reporting leading to more efficient, accurate, and informed financial decision-making. Teams from VIT Vellore, MNNIT Allahabad, IIIT Lucknow and Rajiv Gandhi University of Knowledge Technologies, Nuzvid emerged winners in the competitions. The Hackathon was judged by a combined team of experts from IIT Kanpur and NFRA represented by Shri Arun Kumar AS, Executive Director and Shri Pukhrej Tak, Executive Director.

## 8. International Cooperation and Participation

- a) NFRA participated in the International Forum of Independent Audit Regulators (IFIAR) Plenary Meeting held in Osaka, Japan during 16 -18 April, 2024 which provided a unique opportunity for members to engage directly with colleagues from other regulators, standard setters, global audit firm leadership and others in discussions relating to developments in audit quality and effective oversight. The plenary meeting covered a range of topics that are important to audit regulators both now and in future, with key sessions on technology/artificial intelligence and sustainability assurance. NFRA's participation in the event enhanced the visibility of our country in this domain on global platform.



*Picture 13: Dr. Ajay Bhushan Pandey, Chairperson, NFRA and Ms. Vidhu Sood, Secretary, NFRA at IFIAR Plenary Meeting in Osaka, Japan in April 2024*

- b) NFRA participated in Public Company Accounting Oversight Board (PCAOB)'s International Institute on Audit Regulation: "Raising the Bar for Audit Quality" in October, 2024 at Washington DC, USA. Ms. Smita Jhingran, Full-Time Member NFRA, joined the PCAOB panel on 'Enforcement' as a panelist. NFRA shared its experience in enforcement. Shri Mehul Bansal, Assistant Manager, NFRA also participated in the event.



**Picture 14: Ms. Smita Jhingran, Full Time Member, NFRA participated as panelist at PCAOB workshop in Washington DC, USA in October 2024**

- c) Shri Mukesh Maurya, Manager and Shri Rohit Aggrawal, Manager represented NFRA in 2024 ASEAN Audit Regulators Group("AARG") Inspection Workshop by Audit Oversight Board, Securities Commission Malaysia, at Kuala Lumpur from 27 August 2024 to 28 August 2024 which provided an opportunity to deliberate with audit regulators from across the ASEAN region on emerging trends, regulatory innovations, and collaborative strategies in audit oversight. The workshop featured in-depth sessions on inspection methodologies, ethical challenges, digital business audits, and the implementation of ISQM standards. NFRA contributed to Session 1 with a presentation on "Exciting Developments and Innovations in Inspection Activities," highlighting its evolving inspection framework and sharing insights from its recent inspection cycles.



**Picture 15: Officers of NFRA at AARG Inspection workshop at Kuala Lumpur, Malaysia in August 2024**

d) NFRA and representatives from Public Company Accounting Oversight Board (PCOAB), USA conducted a knowledge & experience sharing session on 4-5 September 2024 at New Delhi on best practices in Investigation and Enforcement.



*Picture 16: Officers of NFRA and PCOAB at workshop held in Delhi in September 2024*

e) NFRA as member of International Forum of Independent Audit Regulators (IFIAR), participated in Inspection workshop organized by IFIAR's Inspection Workshop Working Group ("IWWG") from 5 to 7 March 2025 at Mauritius. This is an annual IFIAR workshop to share knowledge and practical experience among independent audit regulators who are IFIAR members. This major event provided NFRA with a platform to engage with global counterparts and gain deeper insights into critical aspects of audit oversight. The workshop curriculum offered comprehensive modules on risk-based inspection methodologies, addressing the complexities of revenue audit challenges under IFRS 15, and fostering essential soft skills for effective regulatory dialogue. NFRA representatives actively participated in discussions with regulators from around the world, gathering diverse perspectives on inspection strategies, effective approaches to handling auditor resistance, and the paramount importance of proactive quality monitoring. Shri Arun Kumar A S, Executive Director, NFRA also a co-presenter in one of the technical sessions. Shri Neelesh, Manager, NFRA and Ms. Neelam Agrawal, Manager NFRA also participated in the event.



*Picture 17: Officers of NFRA participating in IFIAR inspection Workshop at Mauritius in March 2025*

# Resource Management

## 1. Finance and Budgeting information

The accounts of NFRA for the year ending 31 March 2025 (*Balance Sheet as on 31 March 2025, Income and Expenditure Statement for the period 01 April 2024 – 31<sup>st</sup> March 2025 and other statements and schedules as required*) have been prepared in the Uniform Format of Accounts for Central Autonomous Bodies.

The Annual Accounts of the Authority for FY 2024-25 were finalized and approved by the Executive Body of the Authority. The approved Annual Accounts were forwarded to the Comptroller & Auditor General of India (C&AG) for certification audit.

NFRA receives Grant-in-Aid under two object heads, Grant-in-Aid Salaries and Grant-in-Aid General. During the financial year 2024-25, the NFRA received a total grant of ₹ 44.00 crores. The expenditure incurred by NFRA during the financial year 2024-25 was ₹ 44.00 crores. Out of this total expenditure, ₹ 15.50 crore was incurred from the Grants-in-Aid Salaries and ₹ 28.50 crore from Grants-in-Aid General.

The head wise breakup of total expenditure incurred under broad categories during the financial year 2024-25 is shown in Table No 1.

**Table 1: Statement showing expenditure incurred by NFRA in the FY 2024-25**

Description	₹ in Crores
Salaries and Allowances	15.50
Rent Rates and Taxes for building	19.54
Office Expenses	3.30
Professional Services	4.10
Travel Expenses	0.83
Advertisement & Publicity	0.05
Repair & Maintenance	0.16
Fixed Assets	0.52
<b>TOTAL</b>	<b>44.00</b>

## 2. Human Resource Management

The overall mandate is to create a work environment that can continuously identify, nurture and utilize the capabilities of its officers and staff through appropriate policies in the area of training, career development and performance management.

### **a) Manpower**

NFRA's sanctioned strength as on 31.03.2025 was 69. The total strength of officers and staff as on 31 March 2025 was 32, out of sanctioned strength of 53 in officer cadre.

### **b) Recruitment**

Key importance is given to the competency requirements of the personnel, required for contributing effectively and efficiently towards realization of the organizational goals. Hence, a rigorous recruitment process is adopted to ensure quality personnel are inducted into the system. Importance is attached towards continuous development of human resources, periodically in tune with the programmatic requirements.

- (i) **Deputation/Short Term Contract:** Process for selection against vacancy circulars dated 18 January 2024 and 22 January 2024 for various posts in NFRA was completed in FY 2024-25. In FY 2024-25, total 05 officers joined NFRA on deputation and 03 officers were relieved from NFRA on completion of deputation tenure. Further, vacancy circular for various posts have been issued on 20 February 2025 and selection process against same will be completed in FY 2025-26.
- (ii) **Young Professional:** Vacancy circular for Young Professional (CA/CMA) was issued on 17 December 2024 and selection process was completed in March 2025.

### **c) Training, Capacity Building and Human Resources Development**

In today's dynamic world, regular trainings are essential for any organization. It has become vital to maintain pace with technological evolution and meet rising expectations of its stakeholders. Suitable training ensures that human resources operate at peak performance levels. It makes the employees creative, constructive, imaginative, innovative, professional, and technologically enabled. The main objectives for conducting the training programmes are as follows:

- ❖ Keep updated and enhance professional knowledge, skills and attitude needed for better performance of our employees and organization.
- ❖ Promote better understanding of professional requirements and sensitization to the professional, socio-economic, and political environment.
- ❖ Bring about right attitudinal orientation.

- (i) **NFRA policy on competency and Continued Professional Education:** NFRA has policy on competency and Continued Professional Education for its employees which outlines the necessary certifications and exams that personnel must complete to ensure they are up-to-date with the latest standards and practices in accounting and auditing. The policy also includes provisions for reimbursement of certification costs and encourages employees to pursue additional domestic and international certifications.

- (ii) **NFRA policy on Role specific courses on iGOT platform under Mission Karmayogi:** In line with the Department of Personnel and Training (DoP&T), Government of India, Office Memorandum dated 29 January 2025 regarding role-specific online courses on the iGOT platform under Mission Karmayogi, NFRA also issued a circular dated 27 February 2025 for its officers with requirement to complete certain courses.

- (iii) Training session on "Evolving role of AI in Audit" for NFRA employees was organised with Association of Chartered Certified Accountants (ACCA) on 26 March 2025.

#### d) Gender Balance

To achieve gender equity, NFRA tries to mainstream gender across all programmes and projects and tries to create a gender-sensitive work environment. Following areas are focused for this objective:

- ❖ When designing programme and project activities, the NFRA targets appropriate participants and strives to maintain balance of gender roles and responsibilities with a commitment to simultaneously advancing long-term strategic gender interests.
- ❖ All employment decisions related to recruitments, transfers, compensation, and promotion are made without gender discrimination.
- ❖ NFRA's benefits policy is equitable and responsive to the need to balance work and family.
- ❖ NFRA works towards creating an environment where non-discriminatory working relationships and respect for diversity in work and management styles is encouraged.
- ❖ NFRA also organised events to increase awareness of gender equity and felicitate Women Workforce.

In 2024, NFRA organized an awareness session on "Prevention of Sexual Harassment of Women at workplace" headed by Secretary, NFRA. The awareness session was attended by all officers, consultants, young professionals and contractual staff. During the session various provisions of the Act including what constitutes sexual harassment, key definitions were explained. It was held in a workshop mode and several case examples were shared by senior officers to help bring more awareness about the issue and its prevention. All the participants actively participated in the program and discussed various issues related to the Act.



*Picture 18: NFRA Officers at Session on "Prevention of Sexual Harassment of Women at workplace"*

### 3. Data Management and IT Initiatives

During the year, NFRA strengthened its data management and IT systems to support its regulatory mandate. NFRA continued its efforts towards developing a comprehensive master database of Public Interest Entities (PIEs) and their auditors, drawing on multiple sources such as MCA21, stock exchanges, RBI and IRDAI.

Monitoring of auditor filings under Form NFRA-2 was carried out for Reporting Periods 2022-23 and 2023-24, with the list of non-filers published on the website.

NFRA also enhanced its cyber resilience through deployment of advanced endpoint protection tools, Unified Endpoint Manager, secure VPN access, SSL encryption, and periodic cybersecurity audits by NIC.

#### 4. Other HR activities undertaken by NFRA

a) **Celebration of Swacchta Pakhwada:** NFRA celebrated Swachhata Hi Sewa (SHS) fortnight which was part of Swachh Bharat Mission-Gramin and Urban from 15 September 2024 to 02 October 2024. Theme of SHS-2024 was 'Swabhav Swachhata' with focus on mega cleanliness drive, focus on clearing of dirty and difficult garbage spot and welfare of SafaiMitras. The Spirit of cleanliness activities was voluntarism/shramdaan. Following activities were undertaken as part of Swacchta Pakhwada:

- ❖ Swachhata Pledge & Clean Desk policy
- ❖ Ek Ped Maa ke Naam – Plantation Drive in Office premises
- ❖ Cleanliness Drive for hygiene & Inspection by Senior Officers – At a public site
- ❖ Safai Mitra Sureksha Shivir – Medical check up and Consultation
- ❖ Pest Control



*Picture 19: Cleanliness Drive by employees and staff of NFRA during Swacchta Pakhwada 2024*

b) **Activities undertaken for promotion of Official Language (Hindi) in NFRA**

i) **Hindi Karyashala:** Workshop on Official Language Hindi was organized on 16-17 September 2024, 27 December 2024 and 28 March 2025 at NFRA for providing awareness about Official Language Act, 1963 and Official Language Rules, 1976 (As Amended, 1987, 2007, 2011) and its related compliances for NFRA employees. Workshop also provided valuable information.

ii) **Hindi Pakhwada:** It was celebrated from 14 September 2024 to 28 September 2024. During the Pakhwada, Four (05) competitions were held to promote the official language of in official working among the staff. The details of the competitions/ competitive activities are as follows:

- ❖ Hindi Essay Writing Competition – 17 September 2024
- ❖ Hindi Noting and Drafting Competition – 18 September 2024
- ❖ Hindi Translation – 19 September 2024
- ❖ Hindi Debate Competition -20 September 2024
- ❖ Hindi Self Composed Poetry Competition – 23 September 2024

iii) **Meeting of Official Language Implementation Committee:** Meetings of Official Language Implementation Committee were held on 27 December 2024 and 21 March 2025 under the chairpersonship of Secretary, NFRA

iv) In January 2025, NFRA became a member of the Town Official Language Implementation Committee, South Delhi-2.

c) **Celebration of Rashtriya Ekta Diwas in NFRA:** 31 October is observed across the country as Rashtriya Ekta Diwas (National Unity Day) to commemorate the birth anniversary of Sardar Vallabhbhai Patel. It is a special occasion to foster, and reinforce our dedication to preserve and strengthen unity, integrity and security of our nation, by reinforcing the value of a strong and united India. NFRA official took the pledge on the occasion on 31 October 2024.

d) **Celebration of Constitution Day in NFRA:** Constitution Day also known as 'Samvidhan Divas', is celebrated in our country on 26th November every year to commemorate the adoption of the Constitution of India. On 26 November 1949, the Constituent Assembly of India adopted the Constitution of India, which came into effect from 26 January 1950. To commemorate this auspicious day, NFRA also organized the celebrations of Samvidhan Divas, and employees of NFRA took the pledge on 26 November 2024.

## Vigilance Management

### Activities undertaken for promotion of awareness of Vigilance and strict adherence of CVC guidelines:

To uphold efficiency, integrity, and transparency within the organization, the Chief Vigilance Officer (CVO) at NFRA serves as an advisor to the Chief Executive on all vigilance-related matters. As the head of the Vigilance Wing, the CVO acts as the nodal officer between NFRA and the Central Vigilance Commission, ensuring compliance with vigilance protocols.

As per the CVC Manual, vigilance functions to be performed by the CVO include collecting intelligence about the corrupt practices committed, or likely to be committed by the employees of his Organisation; investigating or causing an investigation to be made into allegations reported to him; processing investigation reports for further consideration of the Disciplinary Authority concerned; referring the matters to the Commission for advice wherever necessary; taking steps to prevent improper practices and commission of misconducts, etc.

Thus, the CVO's functions can broadly be divided into three categories, as under: -

- ❖ Preventive vigilance
- ❖ Punitive vigilance
- ❖ Surveillance and detection.

CVC Manual states that while 'punitive action' for commission of misconduct and other malpractices is certainly important, 'surveillance' and 'preventive measures' to be taken by the CVO are equally more important as these are likely to reduce the occurrence of vigilance cases. Thus, the role of CVO should be predominantly preventive.

Accordingly, during the year, the following activities were undertaken on preventive vigilance:

- ❖ Reviewed existing procedures and practices prevailing the Organisation with a view to identify those procedures or practices which provide a scope for corruption and require modification.
- ❖ Ensured prompt observance of Conduct Rules relating to integrity, covering (a) statements of assets and acquisitions (b) to scrutinise immovable property returns.
- ❖ Reviewed (a) Internal auditor's reports, (b) Statutory auditor's report (c) CAG audit report.
- ❖ Reviewed Officers private foreign visits and maintain a database.

As part of Vigilance Awareness campaign 2024, an Essay writing competition on the topic "*Role of Vigilance & Ethics in combating corruption in Government Organisations*" was organised on 21 October 2024. Officers and staff of NFRA participated & prizes distributed to the winners.

During Vigilance Awareness Week 2024, NFRA officers and staff took an integrity pledge on 28 October 2024, reinforcing the organisation's commitment to transparency and ethical governance.



***Picture 20: Dr. Praveen Tiwari, Full Time Member, NFRA administered integrity pledge during Vigilance Awareness Week***





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