



राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण

NATIONAL FINANCIAL REPORTING AUTHORITY

# NFRA संवाद

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NFRA NEWSLETTER



**NFRA Chairperson Shri Nitin Gupta's courtesy call on Hon'ble Minister of Corporate Affairs, Smt. Nirmala Sitharaman, at the time of joining NFRA.**



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# FROM THE DESK OF CHAIRPERSON



Chairperson Shri Nitin Gupta, Retd. IRS (1986)

Dear Reader,

I am delighted to present to you the inaugural issue of the National Financial Reporting Authority (NFRA) Newsletter, 'NFRA संवाद'. This publication is part of our ongoing commitment to engage meaningfully with stakeholders, users, preparers and auditors of financial statements.

Established under Section 132 of the Companies Act, 2013, NFRA is mandated to oversee and enforce compliance with accounting and auditing standards in India. The Authority has made significant strides in advancing this mandate and upholding the integrity of financial reporting.

Year 2025 has been dynamic, marked by extensive stakeholder engagements, key policy developments and strengthened international collaborations. Through inspections and stakeholder outreach, NFRA continues to reinforce audit quality and accountability, ensuring that financial reporting remains transparent, reliable and aligned with public interest.

Enhancing investor confidence and safeguarding the credibility of financial information remains our guiding principle. We thank you for your continued support and engagement.

Nitin Gupta  
Chairperson, NFRA



# FROM THE CHAIR OF EDITORIAL BOARD



**Shri Sushil Kumar Jaiswal, Retd. IA&AS (1993)**

Dear Reader,

It is my great pleasure to extend my warm greetings to all our readers for the year 2026. I am pleased to present the first quarterly edition of NFRA's Newsletter, 'NFRA संवाद', designed to provide an update on NFRA activities and other relevant insights to audit professionals and regulatory stakeholders.

As the audit environment continues to evolve, maintaining high standards of audit quality, ethical conduct and regulatory compliance remains essential to protecting the public interest. This first edition features the relevant articles, outreach events and webinars, NFRA's engagement with various domestic stakeholders and the international community, and key institutional milestones. We have made effort to ensure that the contents are of high-quality, relevant and engaging.

I extend my appreciation to our contributors, members of the Newsletter Committee and the Editorial Board whose professionalism and attention to the details have made this publication possible. I also thank my colleagues in Executive Body for their useful inputs and insight.

We value ongoing engagement with stakeholders as we continue to promote transparency, accountability and continuous improvement within the audit profession.

Sushil Kumar Jaiswal

Full-time Member, NFRA and Chairman, Editorial Board

# THE EXECUTIVE BODY OF NFRA

## CHAIRPERSON



Shri Nitin Gupta took charge as NFRA Chairperson on 23<sup>rd</sup> July 2025. He holds degrees in engineering and law and has undertaken Executive Education Program in Leadership and Public Financial management at Wharton School, University of Pennsylvania, USA. In his over 39 years of career, he has served as Chairman of the Central Board of Direct Taxes (CBDT) and led significant reforms in tax administration and digital governance, including faceless assessments and compliance initiatives. He also served as Director General in the Competition Commission of India.



**Shri Nitin Gupta,  
Retd. IRS (1986)**

## FULL TIME MEMBERS



**Smt. Smita Jhingran,  
Retd. IRS (1986)**

Ms. Smita Jhingran began her second term as NFRA Full-Time Member on 23<sup>rd</sup> July 2025. She holds an M.Phil. in Defence and Strategic Studies and a Master's degree in Economics and a Bachelor's degree in Law. As a member of Indian Revenue Service (Income Tax), she has over 39 years of experience in Tax Administration, Intelligence and Criminal Investigation and Regulatory Sphere. She served as Director General and Chief Commissioner, Income Tax Department. She also worked as Secretary, Competition Commission of India and at United Nations Mission in Kosovo on secondment.



Shri P. Daniel joined NFRA as Full-Time Member on 23<sup>rd</sup> July 2025. He holds an M.Phil in National Security and Strategic Studies from National Defence College, New Delhi. He is also a CA and CMA. He brings more than 35 years experience in vigilance, defence estates and financial governance. As a former Central Vigilance Commission (CVC) Secretary, he has led anti-corruption reforms. He has also been involved in digital land management of defence lands.



**Shri P. Daniel,  
Retd. IDES (1989)**



**Shri Sushil Kumar Jaiswal,  
Retd. IA&AS (1993)**

Shri Sushil Kumar Jaiswal joined NFRA as Full-Time Member on 23<sup>rd</sup> July 2025. He holds multiple professional certifications and a Master in Business Laws from NLSIU, Bangalore. He is a CA, CFE, CISA and CIA. He has over 38 years experience in accounting, auditing, internal audit, financial governance and audit-administration across CAG organization, United Nations and PSU. He served as Director General of Audit (Central Receipt), Delhi, the Accountant General (Audit), Delhi State and Chief Resident Auditor at United Nations Office of Internal Oversight Services.



# AUTHORITY MEETINGS

The present Authority comprises of the following:

Shri Nitin Gupta	Chairperson, NFRA
Smt. Smita Jhingran	Full Time Members, NFRA
Shri P. Daniel	
Shri Sushil Kumar Jaiswal	
	Part-time Members, NFRA
Shri Balamurugan D	Joint Secretary – Ministry of Corporate Affairs (MCA)
Shri Anand Mohan Bajaj	Deputy Comptroller & Auditor General (Commercial)
Smt. Sudha Balakrishnan	Chief Financial Officer – Reserve Bank of India (RBI)
Shri Jeevan Sonparote	Executive Director – Securities & Exchange Board of India (SEBI)
CA Charanjot Singh Nanda	President, Institute of Chartered Accountants of India (ICAI)
CA (Dr.) Sanjeev Kumar Singhal	Chairperson, ASB – Institute of Chartered Accountants of India (ICAI)
CA Sripriya Kumar	Chairperson, AASB – Institute of Chartered Accountants of India (ICAI)
Professor Sanjay Kallapur	Professor of Accounting at Indian School of Business, Hyderabad
Professor R. Narayanaswamy	Ex-Faculty of the Finance & Accounting area, IIM Bangalore

## 21<sup>st</sup> Meeting of the Authority held on 10<sup>th</sup> July 2025



21<sup>st</sup> Authority Meeting | 10<sup>th</sup> July 2025

The 21<sup>st</sup> Authority Meeting was chaired by Smt. Ravneet Kaur, Chairperson CCI and NFRA (Addl. charge). The following key decisions were taken in the meeting:

### **Financial instruments accounting was clarified and strengthened.**

The Authority decided to recommend to the Ministry of Corporate Affairs (MCA) key amendments to Ind AS 109 and Ind AS 107 to improve consistency in classification, measurement and disclosure of financial instruments, aligning Indian standards with recent IFRS developments.

### **Editorial refinements were cleared to reduce ambiguity.**

Modifications in Ind AS 7, 101, 107, 109 and Ind AS 110 were examined and recommended, with changes largely editorial in nature and intended to enhance clarity without altering underlying principles.

### **Accounting Standards for LLPs moved closer to implementation.**

Draft Accounting Standards for Limited Liability Partnerships were reviewed and approved for recommendation to MCA, with emphasis on scalability and reduced compliance burden.



## 22<sup>nd</sup> Meeting of the Authority held on 22<sup>nd</sup> December 2025



22<sup>nd</sup> Authority Meeting | 22<sup>nd</sup> December 2025

The 22<sup>nd</sup> meeting of the Authority was chaired by Shri Nitin Gupta, Chairperson, NFRA. The agenda of the meeting was to consider ICAI proposal of new standard viz. Indian Accounting Standard (Ind AS) 118, Presentation and Disclosure in Financial Statements to replace the existing standard Indian Accounting Standard (Ind AS) 1, Presentation of Financial Statements.

Indian Accounting Standards (Ind ASs) are derived from and substantially converged with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) of IFRS Foundation. The IASB under its broader agenda of 'Better Communication in Financial Reporting', had issued new standard viz. IFRS 18 Presentation and Disclosure in Financial Statements replacing IAS1 Presentation of Financial Statements.

IFRS 18 brings in paradigm shift in the structure of presentation of financial statements. IFRS 18 ushers in substantial improvements which can be bucketed into three topics i.e., requiring additional defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures and adding new principles for grouping (aggregation and disaggregation) of information. Consequential changes in many other IFRS Accounting Standards have also been made by the IASB. Overall, the replacement of IAS 1 with IFRS 18 is intended to provide a consistent structure for the Statement of Profit or Loss thereby improving comparability of financial statements across various companies.

During the Authority Meeting, a detailed presentation was made on the subject which was followed by deliberations by members of the Authority. The Authority decided to recommend to Ministry of Corporate Affairs the issuance of new standard Ind AS 118 and consequential amendments to other Ind ASs with its applicability for the annual financial reporting periods on or after 1<sup>st</sup> April 2027. Early application is permitted for companies following annual reporting periods on or after 1<sup>st</sup> January 2027. The Authority also noted the need for change in the existing formats of financial statements prescribed in Schedule III of the Companies Act, 2013.

# OUTREACH EVENTS AND WEBINAR

## Hyderabad Outreach Programme



Outreach Event at Hyderabad | Event Date 26<sup>th</sup> September 2025

NFRA embarked on a series of outreach programmes during the year as part of its “Creating a Better Financial Reporting Ecosystem” initiative, through workshops focused on supporting small and medium audit practitioners. As part of this nationwide outreach initiative, NFRA conducted an outreach programme at Hyderabad on 26<sup>th</sup> September 2025. The programme focused on strengthening audit quality and promoting sustainable audit practices.



The workshop was inaugurated by NFRA Chairperson Shri Nitin Gupta. This was followed by a panel discussion on NFRA’s Regulatory Approach: Building Better Audit Professionals. The panel was chaired by Ms. Smita Jhingran, Full Time Member, NFRA, with other panelists as Prof. Sanjay Kallapur, Part Time Member, NFRA and CA J. Venkateswarlu, Former CCM, ICAI.

Apart from NFRA officers, speakers included eminent professionals such as CA MP Vijaykumar, Member, IFRS Interpretation Committee, CA P.R. Ramesh, Independent Director and CA Mohan Lavi, Partner, K.P. Rao & Co., amongst others. The event saw participation from members of the Hyderabad Chartered Accountants Society and several other professionals.

The technical sessions were designed to provide practical insights for practitioners and included important topics such as Audit Strategy Documentation, Sampling, and Audit Reporting. Eminent expert speakers in the programme shared their professional experience and insights. They emphasised the profession’s need to adapt to technology-driven audits, complex risk environments, and global opportunities.

The programme was attended by 66 audit practitioners including representatives from 27 audit firms reflecting NFRA’s strong engagement from the professional community.

## Indore Outreach Programme



Outreach Event at Indore | Event Date 6<sup>th</sup> October 2025

NFRA organised its second outreach workshop at Indore on 6<sup>th</sup> October 2025 as part of its continuing efforts under the “Creating a Better Financial Reporting Ecosystem” initiative. The programme brought together professionals from across Madhya Pradesh to deliberate on key aspects of audit practice in India’s evolving regulatory landscape.



The workshop was inaugurated by Shri P. Daniel, Full-time member, NFRA. The programme also featured a special address by CA Manoj Fadnis, Former President of ICAI, who highlighted the challenges and opportunities before Small and Medium Audit Practitioners (SMPs) and encouraged practitioners to continuously enhance quality and adopt innovation in audit practices. CA Kemish Soni, former CCM ICAI also addressed the participants.

The technical sessions were designed to provide practical insights to practitioners and covered important topics such as Audit Strategy Documentation, Audit Sampling and Concluding the Audit. Eminent expert faculty CA Aseem Trivedi, along with NFRA officers shared their expertise and experience. The sessions provided actionable takeaways for strengthening audit quality in day-to-day practice.

The programme witnessed participation from 42 practitioners representing 13 audit firms, highlighting the growing outreach and impact of NFRA initiatives.



## Webinar on Impairment of Assets under Ind AS 36

NFRA conducted a webinar on “Impairment of Assets - Ind AS 36” on 26<sup>th</sup> November 2025 with the objective of strengthening the understanding of judgment driven areas in financial reporting. NFRA Chairperson Shri Nitin Gupta set the context by tracing the historical evolution of accounting and auditing, and highlighted the increasing relevance of global standards in an interconnected economic environment. Emphasis was placed on NFRA’s mandate to drive systemic improvements in audit quality and financial reporting through regulatory guidance, capacity building and stakeholder engagement.

The technical deliberations were led by the external panel comprising CA Parag Mehta, Valuation Professional and CA Nilanjan Paul, Audit Professional who shared practical insights drawn from valuation and audit practice. The speakers addressed common implementation challenges and highlighted areas that require heightened professional judgment and rigor.



Webinar on Impairment of Assets | Event Date 26<sup>th</sup> November 2025

The webinar focused on impairment testing of non financial assets including goodwill, intangible assets and property plant and equipment. Speakers discussed the importance of timely identification of impairment indicators, robust estimation of recoverable amounts and disciplined application of management judgment. Practical aspects of value in use were explained in detail covering cash flow projections, discount rates, terminal value assumptions, sensitivity analysis and scenario based approaches. Real world examples were used to demonstrate common challenges and risks, including optimism bias, inadequate consideration of external factors and weaknesses in terminal value assumptions.

The session also examined the auditor’s role in impairment reviews highlighting frequent blind spots such as confirmation bias, over reliance on management experts and mechanical reliance on prior year assessments. Good practices were shared including rigorous challenge of assumptions, use of external benchmarks, involvement of specialists, effective documentation and proactive engagement of audit committees. The webinar reinforced the need for professional skepticism and consistent application of Ind AS 36 to enhance the credibility of financial reporting and to protect investor interests.

The recording of the webinar can be accessed at NFRA website.

<https://nfra.gov.in/video/nfra-webinar-26-11-2025-impairment-of-assets-ind-as-36/>



# INSTITUTIONAL MILESTONES

## Inspection of Audit Firms

The Inspections for the year 2024 was embarked upon in March 2025. Five Inspection teams initiated the current year's inspection cycle covering 10 audit firms including big 6 audit firms. Apart from firm-wide SQC compliance, a total of 42 audit engagements are being covered. A large number of planned on-site inspection visits and walkthroughs of audit engagements have been completed, with the process to be completed for this round of Inspection within the current financial year.

## NFRA Circular

NFRA has been issuing circulars on pressing and relevant matters with a view to strengthening audit quality and improving compliance within the financial reporting ecosystem. These circulars, reiterate existing provisions of relevant standards and are addressed to auditors of Public Interest Entities (PIEs) within NFRA's regulatory domain and other stakeholders, and are made available on NFRA's website.



In this context, NFRA issued its fourth circular (NF-22/52/2025-NFRA dated 16th December 2025), addressed to statutory auditors of Public Interest Entities (PIEs), pertaining to the maintenance, assembly, archival, retention and submission of the audit files to NFRA. The circular reiterates the requirement for timely assembly of audit documentation within 60 days from the date of the auditor's report, in accordance with the provisions of SA 230 and SQC 1.

The circular elaborates on the essential components and attributes of an audit file and emphasises the importance of timely completion, proper archival, retention and controlled access to audit documentation. It also records NFRA's observations regarding delays in audit file assembly and certain practices that undermine the integrity and reliability of audit evidence.

Specific concerns highlighted include loss of audit data, improper or unsupported format conversions and risks affecting the authenticity and completeness of audit documentation. The circular further sets out key compliance requirements for auditors, including circumstances warranting retention of audit files beyond seven years, preservation of original audit workpapers and the obligation to submit complete audit files to NFRA within seven days of requisition. Any request for extension, where unavoidable, is required to be adequately justified and supported with relevant details.

## Auditor-Audit Committee Interaction Series 4

To enhance the audit landscape in India, NFRA staff has initiated a series aimed at fostering stronger communication between statutory auditors and audit committees, with particular emphasis on key areas of accounting and auditing. The initiative underscores the vital role of effective dialogue in safeguarding audit quality and ensuring the integrity of financial statements. Beginning with its inaugural publication in January 2025, the series has continued to evolve, marked by the release of its fourth edition, which addresses the audit of accounting estimates and the impairment of non-financial assets under Ind AS 36 and SA 540.



The publication reinforces the importance of effective communication between auditors and Those Charged With Governance, especially Audit Committees, in line with the Companies Act, 2013 and relevant auditing standards. It also highlights key questions Audit Committees may pose to auditors, supporting improved audit quality, clarity on auditor responsibilities and better investor protection.

## **Audit Practice Toolkit**

NFRA launched its first Audit Practice Toolkit on 4<sup>th</sup> November 2025 towards supporting small and medium practitioners in improving audit quality. The toolkit focuses on developing and documenting audit strategies tailored to the risk profile of each auditee. Designed as a scalable and adaptable sample document, it can be used across companies of varying sizes and industries. This marks the beginning of a series of toolkits NFRA plans to release throughout the financial year, each addressing key areas of audit practice. The toolkit is also part of NFRA staff initiative.



## **Audit Firm Survey, 2025**

In fulfillment of its expanding outreach activities, NFRA has initiated its first-ever “Audit Firms Survey 2025” to address issues related to audit quality and towards its role of supporting all audit practitioners effectively. A total of 383 firms across India participated in the Survey. The insights gathered will enable NFRA to further tailor its roles and responsibilities and enable constructive dialogue with all the audit firms and audit practitioners.

## **Second Four-Month Course for Audit Committee Members and Independent Directors**

In October 2024, NFRA and the Indian Institute of Corporate Affairs (IICA) formalized their collaboration through a Memorandum of Understanding (MoU), marking a pivotal step in strengthening knowledge and capacity building in corporate governance. Building on this partnership, the two institutions jointly launched the second four-month course for audit committee members and independent directors on 12<sup>th</sup> August 2025 in New Delhi. The program witnessed strong participation and was met with highly positive feedback, underscoring its relevance and impact.



# ARTICLE: GOVERNANCE FAILURE AND FINANCIAL IRREGULARITIES IN A DIVERSIFIED CONGLOMERATE

— PUKHRAJ TAK | Executive Director, NFRA



## Introduction

The subject of this article is a diversified Indian conglomerate (referred to as “the company”) that began its journey in 1996 by opening its first retail outlet in Bengaluru. Over the next two decades, the business expanded rapidly into multiple sectors—technology parks, logistics, special economic zones, investments, hospitality and financial services. Its steady growth culminated in a public listing on the BSE and NSE in 2015.

By the financial year 2018–19, the company operated 1,752 retail outlets across India and had total assets exceeding ₹11,000 crore with net worth of about ₹3,000 crore. The stock market rewarded this growth; the company’s equity shares, with a face value of ₹10, touched ₹350 in 2018.

However, the seemingly robust empire began to unravel in 2019 when the Group’s promoter admitted to significant financial irregularities. At the time of this admission, the company’s shares were trading at around ₹190. The revelation triggered a rapid loss of investor confidence, causing the share price to collapse below ₹30 within three months—a level at which it continues to stagnate. As a result, more than ₹6,000 crore of public shareholder wealth evaporated. Lenders, too, were left grappling with substantial unresolved exposures.

Subsequent investigations uncovered fund diversion exceeding ₹3,000 crore from the listed company to an entity controlled by the promoter. The unfolding events reveal deep-rooted governance issues, glaring audit failures and institutional weaknesses that allowed such irregularities to persist for years.

## Key Findings and Nature of the Irregularities

### 1. Abnormal Financial Dealings with the Promoter Entity

A company owned by the promoter, engaged primarily in agricultural operations and supply-chain pooling, regularly supplied produce to the listed company. In 2018–19, the value of goods supplied—including produce collected from other growers—totalled ₹70 crore. However, during the same period, the listed company had extended loans and advances exceeding ₹2,500 crore to this promoter entity—an amount that further grew to over ₹3,000 crore by 2019-20.

The enormous mismatch between business volume and financial exposure to the promoter entity highlights the lack of commercial rationale behind these transactions.

## **2. Misuse of Blank Signed Cheques**

Investigators discovered that the promoter had instructed cheque signatories of various subsidiaries to leave blank signed cheques in his office. These cheques played a role in manipulating reported receivable balances from the promoter entity on key reporting dates (such as March 31 and September 30). The balances were artificially reduced through accounting entries without any actual flow of funds. In the following months, the company disbursed fresh funds to the promoter entity, which were then circulated among group companies to ensure clearance of previously issued cheques—effectively creating an evergreening mechanism.

## **3. Evergreening of Loans and Auditor Oversight**

Despite the clear indicators of financial engineering and irregularities, auditors issued unqualified audit reports. The failure to flag such inconsistencies raises serious questions about audit quality, conflicts of interest and the robustness of internal controls.

## **4. Dubious Land Transactions**

The company had extended more than ₹500 crore as land advances to related parties, including members of the promoter's family, for the purchase of disputed or unidentified parcels of land. In many cases, titles were never registered in the company's name. A portion of these advances was later written off through provisions—suggesting that the transactions lacked commercial substance from the outset.

## **5. Use of New Subsidiaries and Foreign Investment**

In early 2019, the company incorporated two new subsidiaries and transferred parts of its business to them. A foreign investor infused ₹100 crore into one such entity. However, instead of being utilized for business operations, these funds were transferred onwards to the promoter company—further reinforcing the pattern of fund diversion.

## **6. Funds Used to Repay Lender Pledges**

Facing financial pressure, the group decided to sell its stake in an associate company. The promoters also held shares in the same entity and both had pledged their holdings to multiple lenders. To release these pledges and enable the sale, the company borrowed approximately ₹3,000 crore from a bank to pay off existing lenders. Shockingly, the promoter entity received a significantly higher share of the funds than warranted by its economic interest—yet another instance of financial impropriety.

## **7. Use of a Shell Company and Inadequate Disclosure**

A shell company was reportedly used to create additional layers of transactions, complicating traceability. Moreover, several related-party transactions were not fully disclosed in the financial statements. Board and Audit Committee approvals—which are mandatory in such cases—were sometimes bypassed.

## **8. Inflated Profits and Accounting Manipulation**

The company recorded interest income on loans extended to the promoter entity, even though the promoter did not recognize corresponding interest expenses in its own books. This artificially inflated



the company's profitability. In one instance, cash flows from financing and investing activities were misclassified as operating cash flows, misleading stakeholders about the company's true financial health.

## 9. Auditor Misconduct

Investigations uncovered that certain auditors were operating under conflicts of interest. In addition, some auditors were found to have tampered with audit documentation before submitting it to regulatory authorities—serious violations of professional ethics.

### Auditor Responsibilities and Oversight Failures

Auditors are entrusted with providing an independent opinion on whether financial statements present a true and fair view of a company's financial health. Under the Standards on Auditing (SAs), they must:

- Assess risks of material misstatement, including those arising from fraud.
- Evaluate the substance of related-party transactions.
- Communicate concerns to those charged with governance.
- Report identified fraud to the Central Government as required under law.

In this case, despite glaring red flags—large unsecured advances, related-party dominance, fund rotations and accounting inconsistencies—none of the auditors reported fraud, nor did they qualify their audit reports. This underscores significant lapses both in professional skepticism and compliance with mandatory audit procedures.

### Key Considerations for Auditors and Audit Committees

The case highlights several areas where auditors and the Audit Committee must exercise heightened vigilance:

- **Conflict of Interest:** Ensuring auditor independence and preventing relationships that compromise objectivity.
- **Integrity of Audit Documentation:** Prohibiting tampering and ensuring transparent record-keeping.
- **Risk Assessment and Professional Skepticism:** Particularly when dealing with opaque related-party transactions.
- **Scrutiny of Loan Transactions:** Evaluating commercial rationale and recoverability.
- **Due Diligence on Land Advances:** Verifying legal title, valuation and completion of transactions.

## Conclusion

This case illustrates how governance failures, weak oversight and compromised audit processes can bring down a publicly listed conglomerate that once appeared healthy and prosperous. The unchecked diversion of funds, misuse of related-party structures, manipulation of financial records and lapses in audit diligence contributed to massive losses for shareholders and lenders. To prevent similar corporate failures, companies must reinforce internal controls, strengthen audit mechanisms and cultivate a culture of transparency. Auditors and Audit Committees, in particular, must exercise rigorous oversight and uphold the integrity of financial reporting—an essential pillar of investor trust.

Opinions expressed in this article are solely those of the author and do not represent the views of the organization.

# ARTICLE: DECODING CORPORATE RELATIONSHIPS: THE AUDITOR’S LENS ON RELATED PARTY TRANSACTIONS



— RACHITA GUPTA | Consultant, NFRA

Related Party Transactions (“RPTs” hereafter) continue to be one of the most sensitive areas in financial reporting and statutory audit. While many such transactions arise legitimately in the normal course of business, they pose elevated risks of conflict of interest, financial manipulation and weak governance. Within India’s regulatory framework anchored by the Companies Act, 2013, Ind AS, SEBI (LODR) Regulations and strengthened by the oversight of the National Financial Reporting Authority (“NFRA” hereafter), auditors are expected to approach RPTs with enhanced diligence, skepticism and robust audit documentation.

## Defining a Related Party

As per Section 2 (76) of the Companies Act, 2013, a related party includes directors, Key Managerial Personnel (KMP) and their relatives, entities in which these individuals hold significant influence, holding, subsidiary, associate and fellow subsidiary companies, as well as any person or entity capable of exercising control or significant influence over the company. In addition, Ind AS 24 further expands the scope of related parties to include individuals with joint control, close family members and postemployment benefit plans. This broad framing ensures that any relationship capable of affecting decision-making or financial reporting is brought within the audit perimeter.



## Regulatory Framework

### a. Companies Act, 2013

- Section 177 requires the Audit Committee to approve or modify RPTs.
- Section 188 mandates that certain RPTs require approval of the Board or shareholders, depending on prescribed thresholds.

- Companies must maintain registers and proper documentation as per Rule 15 of the Companies (Meetings of Board and Its Powers) Rules, 2014.

## **b. Accounting Standards Requirements**

Ind AS 24 mandates disclosure of relationships, transaction nature and volume, outstanding balances, KMP compensation, commitments and guarantees.

## **c. SEBI (LODR) Regulations, 2015**

- Mandatory Audit Committee pre-approval (Regulation 23)
- Shareholder approval for material RPTs
- Quarterly disclosure of RPTs to stock exchanges

## **Why RPTs Are a High-Risk Audit Area**

**a. Susceptibility to fraud-** Risk of siphoning of funds, inflating revenues, transferring assets at nonmarket terms or manipulating profits.

**b. Governance Concerns-** Transactions influenced by personal relationships may override commercial rationale.

**c. Structural Complexity-** Complex holding patterns and indirect ownership arrangements often obscure the true nature of relationships.

**d. Lack of market benchmarks-** Many RPTs are not comparable to arm's length transactions, making valuation challenging.

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The Regulators report repeatedly underscore that RPTs significantly contribute to material misstatements, making them a high-risk area requiring deep analytical scrutiny.

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## **Audit Requirements Under SA 550- Related Parties**

### **a. Identification of Related Parties**

Auditors must review management's identification process, evaluate declarations by directors and KMPs, analyse corporate structures and beneficial ownership and use analytical procedures to detect unusual linkages or transactions.

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The Regulators note that many auditors fail to independently validate management's identification process, relying excessively on representations.

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## **b. Understanding and Testing Internal Controls**

Auditors must assess approval mechanisms under Sections 177 and 188 of the Companies Act, 2013, controls preventing unauthorised or concealed RPTs and Audit Committee oversight quality.

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Audit Files often show control documentation but lack evidence of control testing. The Regulators stress testing for design, implementation, and operating effectiveness.

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## **c. Substantive Audit Procedures**

Key actions include reviewing agreements, invoices, minutes and correspondence, assessing arm's length nature using benchmarks, independently confirming balances with related parties, conducting transactional walkthroughs.

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Auditors frequently accept management assertions regarding arm's length pricing without robust independent evidence.

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## **d. Legal and Regulatory Compliance Assistance**

Auditors must verify compliance with the Companies Act, 2013 provisions, SEBI (LODR) requirements, Ind AS 24 disclosure norms.

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Compliance testing is often documented inadequately. The Regulators expect specific, thorough and well-evidenced compliance procedures.

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## **e. Evaluation of Financial Statement Disclosures**

Effective disclosure must be Accurate, Complete, Transparent, Consistent with accounting and audit evidence.

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The Regulators frequently reports incomplete or inaccurate disclosures. Auditors must **cross verify disclosures with underlying data and approvals.**

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## Regulator's Major Concerns in the audit of Related Party Transactions

- Non-identification of indirect or concealed related parties
- Over-reliance on management representations
- Insufficient testing of arm's length nature
- Inadequate testing of material or unusual RPTs
- Inadequate testing of material or unusual RPTs
- Weak documentation of audit evidence
- Poor linkage between identified risks and audit procedures performed
- Limited challenge to management explanations
- Inconsistent or incomplete Ind AS 24 disclosures

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The Regulators expect auditors to adopt a **heightened, investigative and skeptical approach**, especially where commercial rationale appears unclear.

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## Conclusion

Related Party Transactions sit at the intersection of governance, transparency and financial reporting integrity. Auditing Related Party Transactions is not merely a statutory exercise rather it is a cornerstone of corporate governance and financial integrity. As regulatory expectations rise and NFRA continues to highlight audit quality gaps, auditors must strengthen their approach through deeper analysis, strong skepticism and disciplined documentation. As corporate structures evolve and become more complex, the onus on auditors to ensure faithful representation of such transactions becomes even more significant. A robust RPT audit enhances stakeholder confidence, protects organisational integrity and reinforces transparency across the governance ecosystem.

# ENGAGEMENTS WITH STAKEHOLDERS

NFRA Chairperson Shri Nitin Gupta addressed FICCI's National Conference on Agile Governance, calling public for a transformative shift towards risk-based, technology-enabled audit practices.



FICCI | Event Date 28<sup>th</sup> July 2025

Shri Sushil Kumar Jaiswal, NFRA Full-Time Member, addressed the ASSOCHAM's 13<sup>th</sup> International Conference on Fraud Control & Forensics calling upon the audit committee and statutory auditors to guard the organization against the financial reporting misconduct.



ASSOCHAM | Event Date 12<sup>th</sup> September 2025

NFRA Chairperson Shri Nitin Gupta addressed the National Legal Conference (NLC) on combating white-collar crime, contributing to a high-level panel discussion on governance and compliance.



NLC | Event Date 11<sup>th</sup> October 2025

NFRA Chairperson Shri Nitin Gupta, addressed the PHDCCI seminar on "Corporate Governance and Future-Ready Boards" in New Delhi.



PHDCCI | Event Date 29<sup>th</sup> October 2025

NFRA Chairperson Shri Nitin Gupta, addressing the Forum of Firms, highlighting areas of concern and conveying the need to achieve high quality audits.



Forum of Firms | Event Date 20<sup>th</sup> November 2025

NFRA Chairperson Shri Nitin Gupta, participating in the release of the knowledge report “What’s Driving CFO Focus: From New-Age Governance to Reporting Precision” at the 2<sup>nd</sup> International Conference on Responsible Corporate Governance & Financial Reporting, organised by ASSOCHAM.



ASSOCHAM | Event Date 25<sup>th</sup> November 2025



# ENGAGEMENTS WITH INTERNATIONAL ORGANIZATIONS

## ASEAN AARG Workshop

Shri Prashant Dongre, Asst. Manager, NFRA, participated in ASEAN Audit Regulators Groups (AARG) Inspection Workshop organised by Securities and Exchange Commission (SEC), Thailand on 25<sup>th</sup> and 26<sup>th</sup> August 2025. NFRA shared valuable insights on Oversight of Engagement Quality Reviewers (EQRs).



ASEAN AARG | Event Date 25<sup>th</sup>-26<sup>th</sup> August 2025

## IAASB Roundtable

Shri Arun Kumar A.S, Executive Director, NFRA, participated in International Auditing and Assurance Standards Board (IAASB) Technology Quality Management Asian Roundtable on 13<sup>th</sup> October 2025 in Malaysia which contemplated the application of quality management standards in managing the quality of emerging technologies, particularly artificial intelligence (AI), in audit engagements.



IAASB Roundtable | Event Date 13<sup>th</sup> October 2025

## IFIAR Enforcement Workshop

Shri Pukhraj Tak, Executive Director, NFRA, Shri Jagdish Jakhar, Manager, NFRA, and Shri Sushant Jain, Asst. Manager, NFRA, participated in International Workshop organized by the Enforcement Working Group (EWG) of the International Forum of Independent Audit Regulators (IFIAR) which took place on 15<sup>th</sup> and 16<sup>th</sup> October 2025, in Johannesburg, South Africa. NFRA is a member of IFIAR since November 2023 and within IFIAR, a member of the EWG.



IFIAR Enforcement Workshop | Event Date 15<sup>th</sup>-16<sup>th</sup> October 2025



## Public Company Accounting Oversight Board (PCAOB) Institute

Shri P. Daniel, Full Time Member, NFRA, and Shri Bhupesh Saini, Manager, NFRA, represented NFRA at the PCAOB in Washington DC, USA on 28<sup>th</sup> and 29<sup>th</sup> October 2025 focused on 'Perspectives from recently established Regulators'. The Institute discussed important regulatory initiatives and included discussions on key topics relevant to audit oversight and audit regulation, updates regarding inspection and enforcement programs, emerging opportunities and challenges in audit.



PCAOB | Event Date 28<sup>th</sup>- 29<sup>th</sup> October 2025

## AFRC Regional Regulatory Forum (RRF) 2025

Shri Amit Kumar Jain, Chief General Manager, NFRA, participated in AFRC Regional Regulatory Forum (RRF) 2025 in Hong Kong from 10<sup>th</sup> to 12<sup>th</sup> November 2025. The Forum was focused on pivotal themes shaping the future of the accounting profession, including corporate governance, audit quality and financial reporting, ESG and sustainability assurance and achievements in AI and technology advancements impacting the profession.



AFRC | Event Date 10<sup>th</sup>- 11<sup>th</sup> November 2025

## NFRA's Expanding Stakeholders Engagement

NFRA welcomed Ms. Jen Sisson, CEO, International Corporate Governance Network (ICGN) for her first official visit to the office. Discussions included global corporate governance issues, investor perspectives and ICGN's role in engaging with stakeholders globally.

NFRA also welcomed Ms. Helen Brand, Chief Executive, ACCA, to the NFRA office. Areas of common interest in global developments in corporate governance, technology driven audits, capacity development, were amongst the areas discussed.

Additionally, NFRA gave a cordial reception to then President of Institute of Internal Auditors (IIA), India, Mr. Burzin Dubash and CEO, Institute of Internal Auditors (IIA), India, Mr. Mukundan KV for their first engagement with NFRA. Areas of capacity building and mutual co-operation were discussed. IIA shared the latest global Internal Audit Standards with NFRA.

NFRA engaged with representatives from CFO Board, highlighting its consistent engagement with all stakeholders over the years.



Visit of Ms. Jen Sisson, CEO, ICGN



Visit of Ms. Helen Brand, Chief Executive, ACCA

# HR CORNER

During the period from September to December 2025, one officer was relieved upon completion of short-term contract tenure and four officers joined the Authority. Also, three technical professionals were onboarded during the quarter.

During the quarter, Shri Amit Kumar Jain, CGM, passed the course curriculum of Chartered Financial Analyst Program and has been awarded CFA Charter by the CFA Institute, USA.

## Promotions

During the quarter, six Managers were promoted to the post of Assistant General Manager and six Assistant Managers were designated as Managers.

## Advertised Vacancies

To further augment officer strength, vacancies for various positions were advertised on 09th December 2025. Details are available on the NFRA website at <https://nfra.gov.in/deputation/>

## Integrity Pledge

NFRA officers and staff reaffirmed their commitment to integrity and transparency by taking the Integrity Pledge during Vigilance Awareness Week 2025. “सतर्कता: हमारी साझा जिम्मेदारी” | “Vigilance: Our Shared Responsibility”.



Integrity Pledge administered by NFRA Chairperson Shri Nitin Gupta | Event Date 27<sup>th</sup> October 2025



## Capacity Building Programme

## Kautilya Conclave

The two day programme under the name “Kautilya Conclave - Deliberation on Inspection of Audit Firms” was inaugurated by Smt. Ravneet Kaur, Chairperson CCI and NFRA (Addl charge) on 24<sup>th</sup> and 25<sup>th</sup> June 2025 at the Dr. Ambedkar International Center, New Delhi. The programme also involved external experts and speakers on sessions related to ethics and values, Inventory accounting issues and Impairment of Non-financial Assets.

**Kautilya Conclave | Event Date 24<sup>th</sup> - 25<sup>th</sup> June 2025**

## Session on AI models by IIT Kanpur Professor

An extremely insightful session on potential application of AI models by Professor Ashutosh Modi from IIT Kanpur.



**Artificial Intelligence Session | Event Date 19<sup>th</sup> September 2025**



## **Training on Mission Karmayogi under ‘Rashtriya Karmayogi Jan Seva Program’**

Participants attended the full-day Mission Karmayogi training programme, utilizing the iGOT Karmayogi platform for learning and certification.



**Learning through iGOT Karmayogi Training | Event Date 28<sup>th</sup> October 2025**

## **Training on Ethics, Values and Happiness**

As part of Vigilance Awareness Week 2025, a session on ‘Ethics, Values and Happiness: Foundations of Good Governance’ was conducted by Shri Inderjit Mittal, Master trainer, DOPT. During the training participants reflected on ethical conduct and responsible decision-making. The session encouraged a culture of integrity and professionalism in the workplace.



**NFRA staff training on Ethics and Values | Event Date 31<sup>st</sup> October 2025**

# SNAPSHOTS FROM OFFICE EVENTS

## Yoga Day Celebration

International Yoga Day was observed with active participation. Instructor Ms. Renu Panwar highlighted the importance of yoga in promoting physical well-being, mental clarity and a balanced lifestyle.



Yoga Day celebration at NFRA office | Event Date 20<sup>th</sup> June 2025

## Swachhata Pledge

Officials and staff of NFRA collectively took the Swachhata Pledge, reaffirming their commitment to cleanliness, hygiene and responsible civic behaviour.



Swachhata Pledge administered by Ms. Vidhu Sood (Secretary, NFRA) | Event Date 27<sup>th</sup> August 2025



## Swasth Nari Sashakt Parivar Abhiyan

Swasth Nari Sashakt Parivar Abhiyan was observed to promote women's health, well-being and empowerment as the foundation of a strong and resilient family. The initiative reinforced the importance of awareness, participation and collective responsibility in building healthier communities.



Doctor-led women's health awareness session conducted for NFRA staff | Event Date 26<sup>th</sup> September 2025

## Prize Distribution for Hindi Pakhwada Competition

The prize distribution for Hindi Pakhwada competitions was organised under the guidance and participation of the Chairperson and Full-Time Members.



Winners and Participants of the Hindi Pakhwada Competitions

## 150 years of National Song

NFRA participated in the commemoration of 150 years of the honored legacy of our National Song, 'Vande Mataram'.



Participants stood together and sang the National Song in a spirit of unity and respect | Event Date 7<sup>th</sup> November 2025

## Constitution Day Commemoration

Constitution Day was observed to reaffirm commitment to the values enshrined in the Constitution, including justice, liberty, equality and fraternity. The occasion encouraged collective reflection on constitutional principles and civic responsibility.



NFRA staff commemorating the adoption of the Constitution of India | Event Date 26<sup>th</sup> November 2025



India is becoming a nation of investors rather than of savers. Chairperson of National Financial Reporting Authority (NFRA) Nitin Gupta has said this while addressing a National Conference on Audit Governance in New Delhi today. Mr Gupta said that investor confidence in India is increasing due to transformative reforms such as IPR, DIT and Production Linked Incentive schemes. Talking about the country's growth story, he said that India has become a resilient economy with a GDP growth rate of 7-8 per cent.

The NFRA chairperson also highlighted the GDP data, which estimated India's real GDP average at 5.8 per cent for 2022-24, emphasizing the importance of the theme of the event, Fostering Transparency and Building Trust. Mr Gupta said that corporate governance has to be sound, and the financial reporting framework has to be of global standards. The NFRA chairperson added that simplification of laws, better compliance and newer direct tax laws are the steps to sustaining and furthering the economic confidence of the citizens.

## Audit panels must boost disclosures, says NFRA chief

MANU KAUSHIK  
New Delhi, November 25

**THE NATIONAL FINANCIAL** Reporting Authority (NFRA) chairman Nitin Gupta on Tuesday urged Corporate India to work on a new reporting template for the audit committees as the amount of information shared by them currently is not sufficient for the investors to understand the risks.

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations have cast a number of critical responsibilities on the audit committees to protect investors, creditors and the public at large. However, there is hardly any information available to the public on whether the audit committees have discharged those functions and duties. "Simply disclosing the number of meetings (held) is not adequate," Gupta said at an ASSOCHAM event here.

The NFRA chairman also suggested that the companies should consider creating a separate board-level risk management committee to identify the emerging risks like artificial intelligence (AI), environmental, social, and governance (ESG), and cyber-security.

"New risks are emerging. In today's world, we are talking about AI in a big way. It is one of the major risks that the corporations should take into consideration. A recent global survey of 975 companies by EY revealed that nearly every company surveyed said that they suffered financial losses into AI-related incidents of upwards of \$4.4 million," Gupta said.

He said that the audit committees may not have the relevant necessary skills, experience and expertise to understand and manage the variety of risks which are evolving now, and hence there's a need for a separate risk management committee.



**MITIN GUPTA,**  
NFRA CHAIRMAN  
**New risks are emerging. In today's world, we are talking about AI in a big way**

Further, the NFRA chairman said that India must consider a longer time horizon to determine a company's ability to continue operating. "In India, we are taking 12 months as the period for ascertaining the viability as a going concern, but can we take a longer horizon for this purpose, and determine the viability so that the failures can be avoided," he said.

Over the past five years, the NFRA has published 79 disciplinary orders involving 108 actions, including 20 actions against the audit firms, and 88 against the individual auditors. In addition, there have been 7 cases of debarment of audit firms.

Gupta said that even though there's a proliferation of ESG reporting standards globally, the ESG reporting should not become a mere technicality of disclosure. "In 2024, the International Sustainability Standards Board (ISSB) of IFRS Foundation issued two globally acceptable baseline standards. Similarly, the International Audit and Assurance Standards Board (IAASB) issued a comprehensive standard for the audit of sustainability."

**Sundeep Jakhar** • 2nd  
Head of Public Affairs (India) - ACCA...  
Great initiative to know the pulse re Audit regulations

**Corporate Governance Is the First Line of Defence Against White-collar Crime: Nitin Gupta**

Speaking at the 10th Responsible Financial Leadership Conference on Combating White-Collar Crime, Nitin Gupta, Chairperson of the National Financial Reporting Authority (NFRA), underscored the vital role of corporate governance in preventing financial malfeasance.

In his address, Gupta focused on the complex dimensions of white-collar crime, tracing how global developments like digitalisation, regulatory and legislative frameworks aimed at reducing financial malfeasance, the need for white-collar crime law evolved over the various phases of industrial and financial growth, led to complex and intricate legal challenges with corporate governance and broader integrity.

**Dr. Praveen Tiwari** • 1st  
Former Member, National Financial R...  
NFRA must be complimented for this long due initiative.

**Narayanaswamy R** • 2nd  
Retired Professor at Indian Institute ...  
A well thought-out initiative to understand the views of the constituents that should be highly useful in setting NFRA's future agenda. Audit firms would do well to have their voices heard in this important consultative and communication process.

**BUREAUCRATS INDIA**

Shaping India's fight against white-collar crime - National conference on October 11

The conference will be attended by a broad cross-section of professionals including lawyers, chartered accountants, company secretaries, etc.

November 25, 2023

## NFRA Rolls Out Toolkits to Improve Audit Quality

Our Bureau

**New Delhi:** The National Financial Reporting Authority (NFRA) has started issuing toolkits on fundamental aspects of auditing to bolster awareness among small and medium accounting firms and improve audit quality.

"This (audit practice) toolkit is intended to be a sample document which is scalable and adaptable to different sizes and industry categories of the auditee companies," the regulator said in a statement on Monday.

The move is part of the NFRA's drive to support the overall auditing quality in India, it said. This is in continuation of the regulator's recent initiatives to undertake outreach programmes for audit firms and practitioners. The NFRA has issued the toolkit on the development and document of audit strategy commensurate with the risk profile of the auditee entity.

The audit regulator intends to issue similar toolkits covering other significant audit areas during the course of the financial year, it said in the statement.

## THE ECONOMIC TIMES News

### Audit committees need to ensure independence of auditors: NFRA Chairperson

PT - Last Updated: Aug 28, 2025, 04:05:05 PM IST

#### Synopsis

NFRA Chairperson Nitin Gupta emphasized the importance of audit committees ensuring auditors' independence and good corporate governance. He highlighted fundamental principles for sound financial reporting, including the crucial role of external auditors. Gupta also stressed the need for comprehensive internal controls and risk management systems for effective governance.



**Audit committees at companies should ensure the independence of auditors, NFRA Chairperson** Nitin Gupta said on Thursday, as he stressed the importance of good corporate governance practices.

He also listed out various fundamental principles for sound financial reporting, including the key role of external auditors.



# राष्ट्रीय वित्तीय रिपोर्टिंग प्राधिकरण NATIONAL FINANCIAL REPORTING AUTHORITY

**National Financial Reporting Authority**  
7th-8th Floor, Hindustan Times House,  
18-20 Kasturba Gandhi Marg, New Delhi - 110001