

NFRA's First Annual Inspection of Key Audit Firms to Start by April

Banikinkar Pattanayak

New Delhi: The National Financial Reporting Authority (NFRA) will initiate the first annual inspection of key audit firms—including the Big Five—latest by April, focussed on their processes and standards adopted, people aware of the regulator's thinking told **ET**.

The regulator will also gauge the Big Five's compliance with the suggestions made in its December 2023 reports in which it had flagged deficiencies in their work processes, including on non-audit services that they provide to the same companies of which they are the statutory auditors, one of the persons said.

It will select some other auditors as well for the inspections, based on certain "risk-based parameters" that it's finalising by using data analytics, **ET** has learnt.

Moreover, the regulator will lay emphasis on whether the auditors have effective communications with the audit committees of listed firms, mainly the large ones.

The heightened regulatory scrutiny aims to "ensure auditors follow not just the letter but also the spirit of law", he said.

It will bolster the audit and accounting ecosystem that is crucial to curbing corporate frauds and upholding shareholders' interests in a fast-growing economy, he added. The Big Five—EY, Deloitte, KPMG,

What the Inspections May Cover

Gauge if earlier suggestions adopted by auditors

Inspections to assess processes, audit standards compliance



REVIEW OF NON-AUDIT SERVICES PROVIDED TO SAME CLIENTS

Focus on talks between auditors and audit panels of listed firms

PwC and Walker Chandniok & Co-dominate the Indian audit ecosystem, having overseen assignments of three out of five Nifty-500 companies as of March 2023, according to a primeinfobase.com report. Once the regulator wraps up its inspections, it will give the audit firms adequate time to submit their views on its findings before making the reports public.

Once the regulator wraps up its inspections, it will give the audit firms adequate time to submit their views on its findings before making the reports public.