

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 1823
ANSWERED ON TUESDAY, AUGUST 05, 2025/ SRAVANA 14, 1947 (SAKA)**

Action taken by NFRA to prevent audit failure and regulatory lapses

QUESTION

1823. Dr. Syed Naseer Hussain:

Will the Minister of CORPORATE AFFAIRS

be pleased to state:

- (a) whether the Ministry has examined recent cases of audit failures and regulatory lapses;**
- (b) if so, what specific actions have been taken by National Financial Reporting Authority(NFRA) to prevent such failures from recurring; and**
- (c) the effectiveness of NFRA in improving corporate audit quality and transparency over the last five years?**

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS AND
MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT AND
HIGHWAYS.**

(SHRI HARSH MALHOTRA)

(a), (b) & (c) : The Ministry has constituted National Financial Reporting Authority(NFRA), under Section 132 of the Companies Act 2013, for inter alia recommending accounting and auditing standards for adoption by companies or class of companies or their auditors, as the case may be; for monitoring and enforcing the compliance with accounting and auditing standards and overseeing the quality of service of the professions associated with the same. NFRA has carried out the following specific actions, so far, in keeping with its mandate :

(i) In the exercise of disciplinary powers, so far, NFRA has issued 94 disciplinary orders which have had the effect of imposing monetary penalty/debarments on Chartered Accountants/audit firms for professional misconduct. Through its published orders, NFRA has taken action against 19 audit firms and 84 CAs.

(ii) Detailed Audit Quality Reviews (AQRs) of some major audit firms have been carried out. NFRA also reviewed financial statements (Financial Reporting Quality Reviews (FRQRs)) of some companies. Till date 6 AQRs and 4 FRQRs have been concluded.

(iii) In December 2022, NFRA initiated audit quality inspections of audit firms covering both firm-wide inspection and inspection of individual audit engagement undertaken by the audit firms in respect of the audit of Public Interest Entities. So far, 12 audit quality inspection reports have been published on NFRA website.

(iv) NFRA has also issued circulars, reiterating provisions in law and standards, with a view to prevent recurrence of some noticed non-compliances and to bring in systemic improvement in the quality of financial reporting.
