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**REPORT ON**

# **Know Your Regulator (KYR) Series National Financial Reporting Authority (NFRA)**

**May 12, 2023 | 03:00 PM Onwards IST**



## **Organised by:**

Forum of Indian Regulators (FOIR) Centre, Indian Institute of Corporate Affairs (IICA) in collaboration with The State Capacity Initiative at the Centre for Policy Research (CPR)

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# Speaker



**Dr Ajay Bhushan Pandey**  
*Chairperson*  
*National Financial Reporting Authority (NFRA)*

Dr Ajay Bhushan Pandey is the Chairperson, National Financial Reporting Authority since April, 2022. Over the last decade, Dr Pandey has been at the helm of several historic and groundbreaking India's reforms in Finance, Corporate Governance, Aadhaar, Digital Payments, Goods and Services Tax (GST), and Direct Tax. His past roles include Finance Secretary and Revenue Secretary of India, Chief Executive Officer (CEO) of the Unique Identification Authority of India (Aadhaar) and Chairman of the Goods and Services Tax Network (GSTN).

As Finance Secretary of India, Dr Pandey brought in a series of direct tax reforms and ensured a modern, technological approach to their implementation. Under Dr Pandey's leadership, the tax administration also introduced the radically new faceless assessment and faceless appeal initiatives to provide ease of doing business. As the Chairman of the Goods and Services Tax Network (GSTN), Dr Pandey was responsible for stabilizing the newly introduced Goods and Services Tax (GST) across India in the short span of three years. Additionally, during his stint in the Finance Ministry, Dr Pandey played a key role in the preparation of India's annual budgets for three years.

As CEO of UIDAI, Dr Pandey steered scaling Aadhaar from the ground up. Through his leadership, Aadhaar has empowered 1.2 billion Indians with a biometric digital identity that they rely on for secure access to essential services like banking, digital payments, direct benefit transfer, and welfare programs.

Dr Pandey holds a postgraduate (MS) and doctorate (Ph.D) in Computer Science from the University of Minnesota, USA. He completed his B. Tech degree from Indian Institute of Technology (IIT), Kanpur. With a PhD in Computer Science and decades of leadership experience in the Government of India, Dr Pandey has a rare and unique understanding of Government and Corporate Finance along with technology, law, policy, and government systems.

# Convenor & Moderators



**Shri Praveen Kumar**  
*Director General & CEO*  
*Indian Institute of Corporate Affairs*

Shri Praveen Kumar assumed the charge of Director General and CEO of the Indian Institute of Corporate Affairs in December 2021. He is a 1987 batch retired IAS Officer of Tamil Nadu cadre and has headed various responsibilities in the Government of Tamil Nadu and Government of India in multiple Departments such as Finance, Elections, Industries, Education, Corporate Affairs, New & Renewable Energy, etc.

He has also headed a number of State and Central Public Enterprises including TANMAG & TNSL (as MD), TNPFC (as CMD), SECI (as Chairperson) and IREDA (as CMD), apart from acting as Nominee Director in a number of State PSUs, and public-private partnership companies. He has also held Memberships in Boards/ Councils/ BOG of various education-related institutions such as AICTE, IIMs, IIT, IISERs and UGC Committees.

Apart from getting various awards from media and civil society organizations for his work as Chief Electoral Officer, TN, in the period 2010-2014, he was also awarded the Prime Minister's Award for Excellence in Public Administration for the year 2019, for his role in acting as Prabhari Officer of the Aspirational District Virudhunagar in TN, which saw the district attain the number one position amongst all aspirational districts. He retired from the Government of India as Secretary, Ministry of Skill Development & Entrepreneurship in June 2021.

# Convenor & Moderators



**Prof (Dr) Naveen Sirohi**  
*Director, FOIR Centre &  
Founding Head, School of Finance,  
Indian Institute of Corporate Affairs (IICA)*

Prof (Dr) Naveen Sirohi is the Director of the Forum of Indian Regulators (FOIR) Centre at the Indian Institute of Corporate Affairs (IICA) which is the knowledge, research and capacity-building hub for the Central and State Government regulators in India. Prof Sirohi is also the Founding Head of the School of Finance at IICA, a think tank of the Government of India.

A former banker-turned-academician-cum-administrator, Prof Sirohi possess a unique blend of 20+ years of experience across corporate, academia and government/regulatory space enabling him to develop holistic view on policy issues considering multi-stakeholder perspectives.

He is also providing support to various priority initiatives of the Government of India like financial reporting, financial inclusion and financial literacy working closely with concerned government bodies/departments like Investor Education and Protection Fund Authority (IEPFA), India Post Payments Bank (IPPB) and National Financial Reporting Authority (NFRA). He contributed inputs in the Economic Survey 2021-22.

In the past, he also handled the additional charge of the Chief Financial Officer (CFO) at IICA. He is a visiting faculty in various reputed institutions, universities, and central and state training academies. Academically, Dr Sirohi holds post-graduate and PhD degrees in commerce with a first-class academic record.

# Participants Profile

Officials from regulatory bodies across India, Researchers & FOIR Member Organization's representatives facilitated the session with their kind presence.

125 participants attended the session.



# Program Outline

The Forum of Indian Regulators (FOIR) Centre at IICA, conducted the 'Know Your Regulator' talk series with **Dr Ajay Bhushan Pandey** (*Chairperson, National Financial Reporting Authority*)

Dr Ajay Bhushan Pandey in conversation with **Shri Praveen Kumar** (*Director General & CEO Indian Institute of Corporate Affairs, IICA*) and **Dr Naveen Sirohi** (*Director, FOIR Centre & Founding Head, School of Finance, IICA*) during the session.



## 10<sup>th</sup> EPISODE OF KNOW YOUR REGULATOR (KYR)

with

**CHAIRPERSON, NATIONAL FINANCIAL REPORTING AUTHORITY (NFRA)**

MAY 12, 2023 | 03:00 PM ONWARD



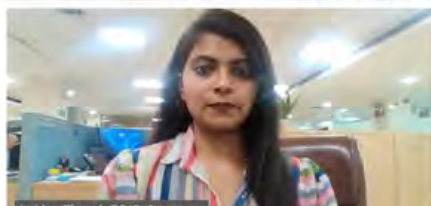
Mr Praveen Kumar, DG&CEO, IICA



Dr Ajay Bhushan Pandey, Chairperson, NFRA



Prof (Dr) Naveen Sirohi, Director, FOIR Centre



Arpita Tiwari, FOIR Centre



Anandh Prasad, FOIR Centre



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# About NFRA

The National Financial Reporting Authority (NFRA) is a statutory body constituted on October 1, 2018 under Section 132 of the Companies Act, 2013. The main objective is to protect the 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, bodies corporate and auditing functions performed by auditors.

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** issued a direction to the Union of India for considering appropriate legislation and mechanism for oversight of the profession of auditors on the lines of Sarbanes-Oxley Act, 2002, and Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010 in the US. Accordingly, the Committee of Experts (COE) was set up. The COE in its recommendation stated that the creation of NFRA has been done on the basis of international best practices and highlighted the failure of the self-regulatory model.

As per Sub Section (2) of Section 132 of the Companies Act, 2013 the duties of the NFRA are to:

- Recommend accounting, auditing policies and standards to be adopted by companies for approval by the Central Government;
- Monitor and enforce compliance with accounting and auditing standards;
- Oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service;
- Perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.



# About 'Know Your Regulator' Series

This talk series is organized by the Forum of Indian Regulators (FOIR) and the Indian Institute of Corporate Affairs (IICA). The series consists of conversations with the people entrusted with the task of regulating Indian markets and various parts and aspects of the economy. These are the Chairpersons and Members of India's regulatory agencies.

In the conversations, the organizers seek to explore the public nature of the regulatory activity through questions like, why should the work of regulatory agencies be of interest to people, producers, consumers, professionals, service providers, and citizens? What are the public goals of regulation? In what ways does the work of regulation involve having to make a balance, make trade-offs, or amicably resolve competing or even conflicting claims of public and private interest? Regulatory agencies are a relatively recent innovation of the Indian state, set up to address the evolving needs of the Indian economy in the decades since the 1990s (although with some notable older instances). The series is directed at exploring the institutional form of the regulatory agencies, their features, norms and values, and their frameworks of decision-making and rationality.

In addition, the series is intended to understand the functional domain and the everyday administration of the regulatory agencies, their staffing, procedures, information systems and operational modalities. Regulatory agencies are envisaged as state agencies that can respond to complex and changing situations, both at the level of policy recommendation and in the case-specific ruling. In the conception of regulatory agencies, this was thought of as a challenge that would be addressed through specialization, expertise and the design of their power and functions. However, each regulatory agency is also unique, in terms of how its regulatory mandate is designed and the nature of the challenges that it is set up to address. In this talk series, we will seek to explore the regulatory debates (both broad and sectoral) that animate the world of regulation, and how it relates to the rest of us.

# Welcome Note by Shri Praveen Kumar (DG & CEO, IICA)

In his inaugural remarks, **Shri Praveen Kumar** (DG & CEO, IICA) reflected on the journey and significance of the KYR series, which focuses on exploring the institutional form of regulatory agencies. The series aims to delve into the features, norms, values, decision-making frameworks and rationality of these regulatory bodies.

He emphasized the crucial role of the National Financial Reporting Authority (NFRA) as a regulator in upholding the integrity and transparency of financial reporting. He highlighted the importance of financial reporting in enhancing the operations of companies and safeguarding the interests of shareholders, investors, and banks. Therefore, the tenth edition of the KYR series with NFRA aims to provide insights into the extent to which NFRA contributes to the restoration and improvement of India's financial reporting framework.

Subsequently, **Dr Naveen Sirohi** (Director, FOIR Centre, IICA) briefly introduced the concept behind the "Know Your Regulator Series" and provided an overview of the previous editions. He opined that the auditing profession has suffered from a crisis of confidence after repeated incidences of large-scale financial frauds globally. When Enron Scam happened in 2002, the US Government reacted by enacting the Sarbanes-Oxley Act and establishing the Public Company Accounting Oversight Board (PCAOB), a body that had powers to check the work done by audit firms and regulate them.

Dr Sirohi highlighted that various financial frauds in India created an urgent need for an independent regulator for the auditing profession to improve the transparency and reliability of financial statements and information presented by listed companies and large unlisted companies. Accordingly, the National Financial Reporting Authority (NFRA) was established under the Companies Act 2013 to oversee the quality of financial reporting in India and protect shareholders, employees and the public from accounting errors and fraudulent financial practices.

As a regulator, NFRA plays a crucial role in maintaining the integrity and transparency of financial reporting, which is essential for the healthy functioning of the economy. It has been a great step towards protecting investors and public interest through informative, accurate and independent audit reports.

# The Discourse

Dr Pandey initiated the discussion by tracing the development of the National Financial Reporting Authority (NFRA) in India under **Section 132 (1) of the Companies Act of 2013**. He highlighted that Enron Scam 2002 in the US brought stringent self-regulation of the Sarbanes-Oxley Act and in India, the Satyam Scam in 2009 resulted in a new regime of corporate governance and disclosure requirements in accounting and auditing. A new oversight body NFRA was proposed by the Standing Committee on Finance in 2014-15, and its establishment was later mandated by a Supreme Court judgment in the **S. Sukumar v/s The Secretary, Institute of Chartered Accountants of India (2018)**.

Dr Pandey emphasized the crucial role of auditors as intermediaries between stakeholders and company management ensuring transparency in financial reporting. As per Section 132 of the Companies Act, 2013, NFRA is responsible for recommending accounting and auditing standards, ensuring compliance, and overseeing the quality of services provided by accounting and audit professionals.

He highlighted that India decided to converge with International Financial Reporting Standards (IFRS) in 2015-16, leading to the development of Indian Accounting Standards (Ind AS). This convergence has had a significant impact on financial reporting systems and compliance procedures. Recently, in April 2023, NFRA reviewed proposals for a new accounting standard for insurance contracts (Ind AS 117) submitted by the Institute of Chartered Accountants of India (ICAI). Ind AS 117, the first international IFRS standard for insurance contracts, aims to provide investors and users with a better understanding of insurers' risk exposure, profitability, and financial position.

Explaining **NFRA's organizational structure**, Dr Pandey mentioned that it comprises a Chairperson, three full-time members, nine part-time members, and a team of around 20-25 qualified Chartered Accountants serving as in-house experts, along with additional staff members as required by the authority. He emphasized the importance of documentation under Standard of Auditing (SA) 230, which mandates auditors to maintain appropriate records as evidence that the audit was conducted in accordance with the auditor's report.

Dr Sirohi furthered the discussion by asking about the **Director Responsibility Report**. In response, Dr Pandey explained that this report outlines the company's activities within a specific period and should include the directors' responsibilities regarding the financial statements, the auditors' report, and the directors' opinions on current company concerns. He underscored the need for auditors to adhere to professional ethics to establish trust in their reports.

Shri Praveen Kumar (*DG & CEO, IICA*) took charge of the discussion and inquired about the concept of the **E-Locker Mechanism**. In response, Dr Pandey mentioned that NFRA intends to introduce a requirement for the electronic archiving of audit files with time stamps, similar to the Digi Locker mechanism. These records would be stored in a neutral location and accessible only to audit firms. Whenever NFRA needs access to these documents, it would request them from the relevant firm.

Regarding the publication of reports and orders in the public domain, Dr Pandey highlighted that it is one of NFRA's key powers to publish its findings on its website, making them accessible to the public in cases of non-compliance with accounting and auditing standards.

Dr Sirohi took forward the conversation and asked the speaker to throw light on the **Annual Transparency Report**. Dr Pandey referred to it as the "**Know Your Auditor**" report, which includes information about the company's network, its partners, and various other parameters. This report is published in the public domain, aiming to build trust and confidence among investors and consumers.

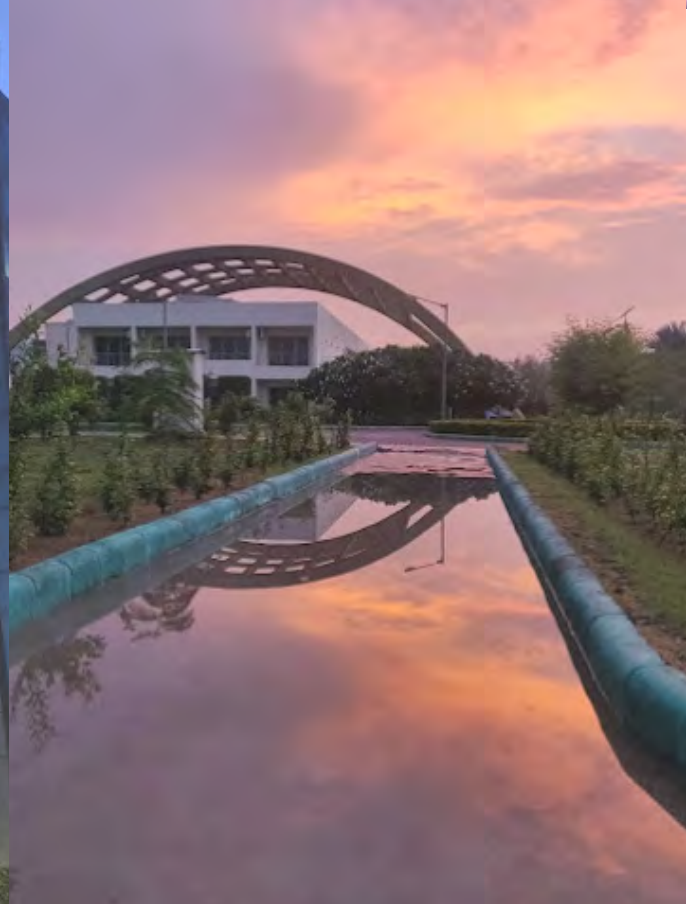
Lastly, Dr Pandey delivering the key message emphasized on the importance of adhering the principles outlined in audit standards. He stressed that such adherence would enhance investor confidence and bring greater transparency and accountability to the auditing profession.

# Vote of Thanks

The conference ended with a vote of thanks by Prof Naveen Sirohi thanking the esteemed speaker and summarising the discussion.

**For Queries and Feedback:**

Forum of Indian Regulators Centre  
Indian Institute of Corporate Affairs,  
Sector 5, IMT Manesar, Gurugram,  
Haryana - 122052.  
Phone: 0124-2640000  
Email: [foir@iica.in](mailto:foir@iica.in)



**Forum of Indian Regulators (FOIR) Centre**  
Indian Institute of Corporate Affairs  
Sector 5, IMT Manesar, Gurugram, Haryana-122052  
Phone: 0124-2640080 | Email: foir@iica.in  
[www.iica.nic.in](http://www.iica.nic.in)