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# NFRA circular on ‘Responsibilities of Principal Auditor and Other Auditors in Group Audit’

In October 2024, NFRA issued a circular outlining responsibilities of the auditor of the parent (Principal Auditor) for group audits.

## **Key responsibilities of the Principal Auditor set out in the circular include the following:**

- Ensuring performance of adequate procedures and obtaining sufficient and appropriate audit evidence to support the opinion on the consolidated financial statements.
- Determining sufficiency and appropriateness of the procedures performed by Component Auditors and where necessary, perform sufficient additional procedures - Principal Auditors are **not to rely blindly** on clean audit reports of Component Auditors.

## **Key considerations for the Principal Auditor emanating from the circular include the following:**

- Responsibility to assess the professional competence and independence of the Component Auditors
- Review of workpapers of the Component Auditor.

## **Management’s responsibilities**

- Include competence and independence of component auditors as part of the assessment process for group audit arrangements.
- Facilitate coordination between component auditor and principal auditor.
- Initiate necessary changes to engagement letters and other relevant documentation.
- Determine timelines for the financial statement closure process after considering the matters referred to above.

# ISA 600 (Revised) and Exposure Draft - SA 600 (Revised)



- In September 2024, NFRA proposed changes to auditing standard SA 600, *Using the work of Another Auditor*.
- Exposure draft of SA 600 (Revised), *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)* is based on corresponding international standard, ISA 600 (Revised) issued by International Auditing and Assurance Standards Board (IAASB).
- Recommended to be applicable from 1 April 2026.



- ISA 600 (Revised), *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)*, deals with the special considerations that apply to a group audit, including in those circumstances when component auditors are involved.



- The Exposure draft of SA 600 (Revised) proposes significant change in the approach to audit of Group Financial Statements.
- It will require a Principal auditor to include:
  - Risk based approach to group audit scoping
  - Increased direction and supervision of component auditors
  - Increased two-way communication throughout the audit.



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# Amendments to LODR Regulations

In 2023, SEBI formed an expert committee (the Committee) with an objective to review the provisions of SEBI Regulations including SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) Based on the suggestion of the Committee and feedback from various stakeholders, on 13 December 2024, SEBI issued amendments to LODR Regulations.

## Key amendments



# Related Party Transactions (RPTs)

## Additional exemptions to the definition of RPTs

(Regulation 2(1)(zc))

- Corporate actions undertaken or received by the subsidiaries of a listed entity which are uniformly applicable or offered to all shareholders.
- Acceptance of current account deposits and saving account deposits by banks in compliance with directions issued by RBI or any other central bank.
- Retail purchases from a listed entity or its subsidiary by its directors or its employees without establishing a business relationship and at the terms which are uniformly applicable/ offered to all directors and employees.

## Approval of RPTs by the audit committee of the listed entity

(Regulation 23)

- Introduction of post-facto ratification to RPTs within three months from the date of the transaction, subject to certain conditions.
- The provision of omnibus approval to be made applicable for RPTs of subsidiaries as well.

## Transactions relating to remuneration and sitting fees

(Regulation 23)

If the transactions for payment of remuneration, and sitting fees to director, Key Managerial Personnel (KMP) or senior management is not material, then such transaction is exempt from the requirement of:

- Audit committee approval and
- Half yearly disclosures.



# Disclosure of material events or information under Regulation 30

## Timeline for disclosure

- For the disclosure of outcome of the board meeting that conclude after close of trading hours - three hours (instead of 30 minutes)
- For claims made against the listed entity (**other than tax litigations and disputes**) - 72 hours (instead of 24 hours). The increased timeline is available provided information is maintained in the structured digital database as per PIT Regulations.

## Disclosure of acquisition by listed entities

- Threshold increased to **20 per cent (instead of 5 per cent)** for disclosure of acquisition\* of shares or voting rights by a listed entity, and any subsequent change in holding exceeding **5 per cent or more (currently 2 per cent)**.
- Disclose on a quarterly basis in Integrated filing system, any acquisition of shares/voting rights in an **unlisted company, aggregating to 5 per cent** or any subsequent change in holding **exceeding 2 per cent**.

## Others

- Clarification on disclosure of tax litigations or disputes:** Tax litigations or disputes, if material, to be disclosed in the following manner:
- a) Disclosure of new tax litigations or disputes within 24 hours.
  - b) Quarterly updates, as part of the Integrated Filing (Governance), on existing tax litigations or disputes.
  - c) Tax litigations or disputes, the outcomes of which are likely to have a high correlation, should be cumulated for determining materiality.

### Others

- Disclosure of imposition of fine or penalty based on specified monetary thresholds.
- Disclosure of fraud by senior management is limited to instances only in relation to the listed entity.

\*Acquisition mean

(i) Acquiring control, whether directly or indirectly; or

(ii) Acquiring or agreement to acquire shares or voting rights in a company, whether existing or to be incorporated, whether directly or indirectly, specific to certain conditions

(iii) Cost of acquisition or the price at which the shares are acquired exceeds the threshold specified in Regulation 30.

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# Other amendments

## Newspaper advertisement (Regulation 47(1))

- Publishing a detailed advertisement in newspapers for financial results has been made optional.
- A small box advertisement to be provided with the QR code and weblink to the full financial results.

## Timeline to fill up vacancies in Board Committees (Regulation 17(1)(e))

- Filling of vacancy in committee position i.e. AC, NRC, SRC and RMC<sup>1</sup>:
  - At the earliest or within three months from the date of vacancy.

## Material subsidiary (Regulation 16(1)(c))

- Definition of a 'material subsidiary' is aligned with ICDR Regulations i.e. a subsidiary, whose turnover (earlier income) or net worth exceeds 10 per cent of the consolidated turnover (earlier income) or net worth respectively.

## Diversity in the institution of Independent Directors (IDs), meetings of IDs and risk management (Schedule II)

- Listed entities ranked from 1001 to 2000 may endeavour to have at least one woman ID and constitute a Risk Management Committee.
- IDs of top 2000 listed entities may endeavour to have at least two meetings in a financial year without the presence of Non-IDs and members of the management.

<sup>1</sup>Audit Committee (AC), Nomination and Remuneration Committee, (NRC), Stakeholders Relationship Committee (SRC) and Risk Management Committee (RMC)

# Other amendments

## Obligation for KMPs (Regulation 5)

- KMP, directors, promoters, promoter group or any other person dealing with the listed entity shall disclose to the listed entity all information that is relevant and necessary for the listed entity to ensure compliance with the applicable laws.

## Subsidiary related compliance requirements (Regulation 24(6))

- When there is a sale, disposal or lease of assets of a material subsidiary, however, if such a transaction is between two wholly-owned subsidiaries of a listed entity, then approval of shareholders is not required.

## Filing and disclosures

- Single filing system is available on BSE and NSE.
- Introduced Integrated Filing system for companies for various periodic filings as per revised timelines.
- Formats for filings updated for investor grievance statement, report on corporate governance, disclosure of RPTs, etc.
- Companies are no longer required to send physical copies of abridged Annual Report to shareholders whose email id is not available. They should send a letter detailing the weblink to the Annual Report.

# Key takeaways from SEBI's board meeting

On 18 December 2024, SEBI in its board meeting approved certain important matters including amendments to BRSR framework.

## BRSR updates

### BRSR Core assessment or assurance

- Substituted 'assurance' with 'assessment or assurance' regarding BRSR Core disclosures.
- "Assessment" will be third-party assessment undertaken as per standards developed by the Industry Standards Forum (ISF) in consultation with SEBI.
- Applicable for BRSR Core disclosures for **FY 2024-25**.

### Value chain disclosures

- Disclosures: Applicable from FY 2025-26
- Previous year disclosures voluntary for the first year of reporting.
- Assessment or assurance: Applicable from FY 2026-27
- Voluntary' disclosure instead of 'comply-or-explain' basis: For FY 2024-25.
- **Scope of value chain:** To cover top upstream and downstream partners of a listed entity, individually comprising **2 per cent or more** of the purchases and sales (by value). The listed entity may limit disclosure of value chain to **cover 75 per cent** of its purchases and sales (by value), respectively.



# BRSR updates (cont.)

- On 20 December 2024, SEBI issued the Industry Standards on Reporting of BRSR Core (the Industry Standards). These standards are developed by the Industry Standards Forum (ISF) comprising ASSOCHAM, FICCI, and CII.
  - Aims to facilitate the standardisation and ease of implementation of BRSR Core disclosures
  - Supplements to the BRSR Guidance Note issued by SEBI.
- The Industry Standards Note provides guidance related to parameters under BRSR Core with respect to:
  - General requirements relating to:
    - Intensity-based calculations for GHG emission intensity (Scope 1 and Scope 2 emissions), Water consumption intensity, Energy intensity, and Waste intensity
    - Spend-based approach to estimating environmental footprint.
  - Attribute wise requirements relating to nine attributes under BRSR Core.

# Amendment to PIT Regulations

On 4 December 2024, SEBI issued certain amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations).

## Connected person

- Amendment to definition of connected person and person deemed as connected person. New addition to deemed connected person are as following:
  - Relatives of connected persons as deemed connected persons (earlier 'immediate relative' to be deemed as a connected person)
  - A firm or its partner or its employee in which a 'connected person' is also a partner; and
  - A person sharing household or residence with a 'connected person.'

## Definition of a relative

- Introduced following definition of relative for determining connected person:
  - i. Spouse of the person
  - ii. Parent of the person and parent of their spouse
  - iii. Sibling of the person and sibling of their spouse
  - iv. Child of the person and child of their spouse;
  - v. Spouse of the person listed at (iii) and
  - vi. Spouse of the person listed at (iv).
- *Existing definition of immediate relative" means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities.*

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# Guidelines to regulate greenwashing and misleading environmental claims

## Meaning of greenwashing

- Any deceptive or misleading practice, which includes concealing, omitting or hiding relevant information, by exaggerating, making vague, false, or unsubstantiated environmental claims
- Use of misleading words, symbols, imagery and placing emphasis on positive environmental aspects while downplaying/concealing harmful attributes.

## Disclosures required

Specific guidelines for disclosure of environment claims, including:

- Disclosure of material information
- Should not select only favourable information and provide clear information
- Disclosure of comparative environmental claims
- Claims supported by credible certification
- Easy accessibility.

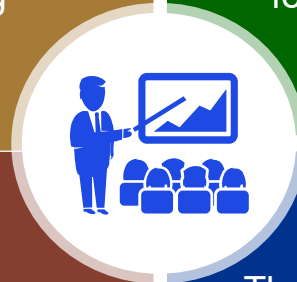
## Applicability

- All environmental claims
- A manufacturer, service provider or trader whose good, product or service is the subject of an advertisement, or to an advertising agency/endorser whose service is availed for the advertisement of such good, product or service.

## Substantiation of environmental claims

The Guidelines specify certain obligations on advertisements making any environmental claims. Such as

- Restriction on use of generic terms such as 'clean', 'green', 'eco-friendly', etc.
- Use of consumer-friendly language
- All environmental claims must be true and accurate and supported by accessible verifiable evidence





# Other key takeaways from SEBI's board meeting

## Amendments to High Value Debt Listed entities (HVDLEs) norms

- Increase in threshold for identification of HVDLE from INR500 crores to INR1,000 crore.
- Introduction of a separate chapter, and a sunset clause for corporate governance norms in the LODR Regulations which will be applicable to entities which have only debt listed securities.
- Added flexibility on the constitution of the NRC, RMC and SRC.
- HVDLEs to be included while counting the ceiling on the number of directorships, memberships or chairpersonships.
- Introduction of BRSR for HVDLEs on a voluntary basis.
- For debt listed entities where the shareholding is wholly/substantially held by one or a few related party shareholders, material RPTs to require No-Objection Certificate (NOC) from the debenture trustee (who in turn would obtain debenture holders' approval).

## Amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations)

- Approved to amend the definition of Unpublished Price Sensitive Information (UPSI) under PIT Regulations to include events considered as material events requiring disclosures under Regulation 30 of LODR Regulations.
- Additionally, for identification of events as UPSI, threshold limits as prescribed for events under Part A of Schedule III of SEBI LODR Regulations have been made applicable.

# Other updates

## Form CSR-2 date extended

The Companies Act, 2013 requires companies to disclose their Corporate Social Responsibility (CSR) activities through Form CSR-2. The Ministry of Corporate Affairs (MCA) has extended the timeline for filing Form CSR-2 for the financial year 2023-24 to 31 March 2025 (earlier 31 December 2024).

## ESG Debt Securities

SEBI introduced Environment, Social and Governance (ESG) Debt Securities under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. SEBI is yet to prescribe other conditions related to issue and listing of ESG Debt Securities.

### *New definition*

*Environment, Social and Governance Debt Securities or 'ESG Debt Securities' means green debt securities, social bonds, sustainability bonds, sustainability-linked bonds, or any other type of bonds, by whatever name called, that are issued in accordance with such international frameworks as adapted or adjusted to suit Indian requirements that are specified by the Board from time to time, and any other securities as specified by the Board."*

# Sources

1. NFRA circular NF- 25013/2023-O/o Secy-NFRA, dated 3 October 2024)
2. NFRA notification 'Comments are invited on proposed revision in SA 600' dated 17 September 2024
3. SEBI notification SEBI/LAD-NRO/GN/2024/218, SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024 dated 12 December 2024
4. SEBI board meeting press release PR No.36/2024 dated 18 December 2024
5. SEBI circular SEBI/HO/CFD/CFD-PoD-1/P/CIR/2024/177 on the Industry Standards on Reporting of BRSR Core through dated 20 December 2024.
6. The Industry Standards Note on Business Responsibility and Sustainability Report (BRSR) Core issued by Industry Standards Forum (ISF) comprising ASSOCHAM, FICCI, and CII dated 20 December 2024
7. SEBI Notification No. SEBI/LAD-NRO/GN/2024/215 SEBI (Prohibition of Insider Trading) (Third amendment) Regulations, 2024, dated 4 December 2024
8. CCPA Press release, F.No.CCPA/28/2023-CCPA(Reg) dated 15 October 2024
9. MCA notification G.S.R. 794(E). Companies (Accounts) Second Amendment Rules, 2024 dated 31 December 2024
10. SEBI (Issue and Listing of Non-Convertible Securities) (Third Amendment) Regulations, 2024 dated 11 December 2024

**Q&A**





# Thank you!

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**Feedback/queries can be sent to** [in-fmcontact-us@bsraffiliates.com](mailto:in-fmcontact-us@bsraffiliates.com)

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