New audit standards: Ministry wants ICAI to have a broader view

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THE ONGOING TUSSLE between the Institute of Chartered Accountants of India (ICAI) and the National Financial Reporting Authority (NCRA) over the latter's proposed new audit standards is due to a "communication gap", a senior official at the ministry of corporate affairs (MCA) said on Wednesday.

"The concerns of the ICAI on the implementation of ISA 600 can be sorted through debate and discussions. ICAI have some apprehensions but they are looking at the whole issue from a particular standpoint. They need to have a 360-degree view," the official told FE.

The plan to bring in International Standard on Auditing 600 (ISA 600) has caused ICAI which fears that the adoption of the standard could hurt the small and mid-size practices (SMPs). Till now, the audit work of listed companies are primarily handled by large firms whereas SMPs derive a bulk of their work from the unlisted companies.

For instance, as per primeinfobase, the Big 6 Indian audit firms handled 637 assignments of 1,961 listed companies (for which auditor details were available for FY24), which is 32.48% of the total listed companies.

ICAI claims as per extant SA 600 standard, the principal auditors do not have any say in the appointment of the component auditors. But the ISA 600 gives powers to principal auditors to appoint component auditors which, according to ICAI, will enable principal auditors to chose their network firms for the audit work of subsidiaries. This will lead to market concentration,

NFRA, on the other hand, has said that it's not ready to compromise on the audit quality at the cost of a possible market concentration.

Meanwhile, the NFRA sources said that the draft on ISA 600 is likely to be out in a few days.

"The draft will be available for the public comments for about a month. After which, the authority members will meet again. Once the public comments come, we will have a better understanding," the MCA official said.