



A. K. LABH & Co.

Company Secretaries

(an ISO 9001:2015 Peer Review Certified CS firm)

40, Weston Street, 3rd Floor, Kolkata – 700 013

(Ph.) (033) 2221-9381 / 4063-0236

(Mob.) 98300-55689

aklabhcs@gmail.com / aklabh@aklabh.com

www.aklabh.com

**Effective Communication between Statutory Auditors and those charged with Governance,
including Audit Committees**

National Financial Reporting Authority (NFRA) vide its Circular dated January 7, 2026 has emphasised the need to strengthen the communications between Statutory Auditors, those charged with Governance ("TCWG"), including Audit Committees ("AC"), in line with the requirements of the Companies Act, 2013, the Standards on Auditing prescribed under the Companies Act, 2013, and other relevant Rules and Regulations.

The Circular, *inter alia*, provides a road map for establishing a robust two-way communication process; appropriate form of communication by Auditors with TCWG/ACs and its documentation; timely communication with TCWG/ACs including agenda and matters to be communicated with TCWG; etc. The major aspects of the Circular is briefly analysed as follows :

Salient Features :

- The Circular stresses that communication between auditors and TCWG should be timely, structured, and in writing; oral communications must be documented with details like date, time and participants.
- It highlights recurring non-compliance issues observed by NFRA, such as incorrect identification of TCWG, inadequate documentation, and failure to share information on audit scope, significant risks, internal control weaknesses, related-party matters, and unusual transactions.
- Auditors and TCWG are encouraged to meet at least twice a year—once before the audit begins and again before the approval of financial statements—to facilitate meaningful discussion of audit-related matters.
- The Circular underscores that effective communication is not a year-end formality but an ongoing process throughout the audit period.



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Action Points :

1. Clear Identification of TCWG

- To ensure that the Audit Committee / Board is correctly identified as TCWG in line with the Companies Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), and applicable governance structures.
- Roles and responsibilities of TCWG should be clearly reflected in board and committee charters.

2. Structured and Documented Communication

- All key communications from auditors (audit scope, significant risks, internal control weaknesses, independence matters, related-party transactions, significant judgments, etc.) should be:
 - Presented to the Audit Committee/Board in a structured manner, and
 - Properly minuted and recorded.
- Where discussions are oral, adequate documentation (date, attendees, key points discussed) is required to be ensured.

3. Audit Committee Meetings

- Facilitate at least two formal interactions with statutory auditors:
 - One before commencement of the audit (planning, scope, risk areas), and
 - One prior to approval of financial statements (audit findings, key observations).

4. Board / Audit Committee Papers & Minutes

- Ensure audit-related presentations, management responses, and auditor communications are:
 - Included in meeting papers, and
 - Appropriately captured in minutes without dilution of critical issues.
- Avoid generic or boilerplate minute language for audit discussions.



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5. Ongoing Process, Not a Year-End Formality

- NFRA stresses that auditor-TCWG communication is a continuous process.
- Secretarial team should track and follow up on action items, observations, and remedial measures discussed during the year.

6. Governance & Compliance Risk

- Inadequate communication or documentation may attract regulatory scrutiny and could be viewed as a governance lapse.
- Proper records maintained by the secretarial function will be key evidence of compliance.

7. General

- Audit Committee meetings with statutory auditors will be formally scheduled at appropriate stages of the audit cycle.
- Audit-related matters will be placed as specific agenda items, supported by relevant presentations and notes.
- Minutes of Board and Audit Committee meetings will appropriately capture key audit discussions and observations.
- The Secretarial Department, in coordination with Finance, will monitor compliance and maintain records of auditor communications.

Board's Consideration :

The Board has to:

- a. take note of the Circular; and
- b. approve and endorse the proposed approach to ensure effective compliance with the regulatory expectations.



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Overall objectives :

- To support stronger audit quality, transparency, and regulatory compliance through effective governance processes.
- To ensure Audit Committee and Board processes are aligned with the Circular.
- To strengthen agenda planning, documentation, and minute-writing for audit-related matters.
- To coordinate closely with statutory auditors, Chief Financial Officer, and internal audit to ensure seamless communication and record-keeping.

14.01.2026

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Disclaimer : *The above note/analysis has been prepared by our research team for guidance purpose only. For authentication of data/information provided, please refer the respective acts, rules, regulations and respective laws. For any further query in the matter, you may contact us at aklabhcs@gmail.com or aklabh@aklabh.com Please visit at www.aklabh.com to know more about us and our services.* **##**