

FREQUENTLY ASKED QUESTIONS PERTAINING TO NFRA-2 FORM

S.No.	Query	Clarifications
1.	Form NFRA 2 is only available in PDF version as part of the Gazette notification. Since the e-form is not available, we are not able to collate the required information. Considering the timeline for submission of NFRA 2 is November 30, 2019, please advise when the e-form of NFRA-2 will be available.	NFRA 2 form has to be filed online. Please refer to the following link https://eformnfra2.nic.in/ for e-filing Form NFRA2.
2.	While we are seeking clarifications and guidance on the information required in NFRA-2, we will appreciate if step by step instruction kit is available together with necessary guidance in form of Q&A,	NFRA 2 form has to be filed online. Please refer to the following link https://eformnfra2.nic.in/ for e-filing Form NFRA2.
3.	Is there facility to upload client wise information using excel or word file to help in bulk filing of client data	NFRA 2 form has to be filed online. Please refer to the following link https://eformnfra2.nic.in/ for e-filing Form NFRA2.
4.	Please clarify whether the information in clause 3 and 4 of NFRA 2 form will be applicable only if the audit firm is the statutory auditor of an entity as per covered in Clause 3(1) (a) to 3(1)(e) of NFRA Rules 2018 or this clause will be applicable even in those cases where the audit firm audits the special purpose (non-statutory) financial statements.	The information is required for statutory audit of financial statements by the auditor in respect of entities covered in Clause 3(1)(a) to 3(1)(e) of NFRA Rules 2018. It will not cover tax audits, Limited review & Quarterly audits
5.	Clause 4 requires specified information for audit clients and audit reports of the auditor. The definition of the term 'auditor' indicates that it will cover only statutory audits conducted under Section 143 of the Act. Therefore, our understanding is that it will not cover clients where engagements other than statutory audit under Section 143 are performed i.e. limited review, quarterly audits, special purpose audit, tax audit, group reporting and other non-statutory audit engagements (whether an entity is covered under Rule 3(1)(a) to (d) or 3(1)(e). You are requested to confirm our understanding.	It will not cover tax audits, Limited review & Quarterly audits.
6.	Clause 4(a)(1)(3) requires Global Location Number - you are requested to provide guidance on what is Global location number and whether it is required to be given for all Indian companies?	The GLN (Global Location Number) is a global code that identifies a location, in other words, an electronic address. It is provided by GS1 global, a not-for-profit information standards organization. Companies registered in India can also have GLN. However, the same is not mandatory.
7.	Clause 4(a)(1)(7)(B) and 4(a)(1)(8)(B) require Registration Number of the	The auditor in case of body corporate referred to in rule

	<p>Engagement Partner and Engagement Quality-Control Partner, respectively. We humbly submit that the registration number is of the audit firm and since Engagement Partner and Engagement Quality Control Partner are individuals, ICAI Membership Number is relevant.</p> <p>You are requested to confirm our understanding.</p>	<p>3(1)(e) would need to disclose registration details of concerned jurisdiction</p>
8.	<p>Clause 4(a)(1)(9) requires confirming whether audit report has been modified, whereas Clause(4)(a)(1)(12) requires reporting on any findings in the Auditor's report which are unfavorable or qualified.</p> <p>Our understanding is that both these clauses require information about modifications/qualifications as defined in Standard on Auditing (SA) 705, Modifications to the Opinion in the Independent Auditor's Report. Further, the words 'unfavorable' and 'qualified' are used interchangeably.</p>	<p>Clause 4(a)(1)(9) pertains to modified report by Auditor as per SA 705.</p> <p>The words 'Unfavorable' or 'qualified' would be as mentioned in the paragraph 4 of CARO 2016</p>
9.	<p>As per point 4.a.I.12/4.b.I.9 Any findings in the Auditor's report which are unfavourable or qualified. Whether this includes Disclaimer of opinion or qualified opinion or both ?</p>	<p>Unfavourable or qualified report includes both Disclaimer of opinion as well as qualified opinion</p>
10.	<p>Clause 4(a)(1)(10) requires disclosure of information on total fees and expenses received by the auditor from each specified company or body corporate (covered in rule 3(1)(a) to (d)). The fee information is required for specific types of services which is different from the classification of fee disclosure as required by Schedule III of the Companies Act, 2013.</p> <p>We appreciate if either the classification of services be aligned to that required by Schedule III or appropriate guidance is issued for type of services to be covered in each category of services.</p>	<p>The clause applies to all kinds of services provided by the auditor to the auditee. Services provided by the Auditor have to be classified as provided in the said clause</p>
11.	<p>Fee information to be provided in clause 4(a)(1)(10), our understanding is that the fee information is required without GST. You are requested to confirm our understanding.</p>	<p>The fees does not include GST</p>
12.	<p>Clause 4(b)(1)(11) requires confirming whether Generally Accepted Auditing Standards (GAAS) have been followed. We understand that GAAS with respect to a body corporate refers to Indian GAAS (i.e. Standards on Auditing notified u/s 143(10) of the Companies Act, 2013), International GAAS (i.e. International Standards on Auditing) or any other GAAS of a foreign country as prescribed in that jurisdiction.</p> <p>You are requested to confirm our understanding.</p>	<p>Auditing standards as applicable during the relevant period in the jurisdiction of the Auditee entity is to be stated.</p>

13.	<p>Clause 4(b)(1)(12) requires confirming whether Generally Accepted Accounting Principles (GAAP) have been followed. We understand that GAAP with respect to a body corporate refers to Indian GAAP (i.e. Indian Accounting Standards/Accounting Standards notified under Section 133 of the Companies Act, 2013), International Financial Reporting Standards or any other GAAP of a foreign country as prescribed in that jurisdiction.</p> <p>You are requested to confirm our understanding.</p>	Accounting standards as applicable during the relevant period in the jurisdiction of the Auditee entity is to be stated.
14.	<p>Clause 7(a) requires information on the criminal, civil or disciplinary actions or proceedings against any partner or employee of the Auditor in connection with any audit in the past five years.</p> <p>a. Our understanding is that such actions or proceedings are required to be reported only for the companies or body corporates covered under Rule 3(1).</p> <p>Further, such information is required to be furnished for a company or body corporate which fulfils the specified criteria under Rule 3(1) at the time when such action was taken. In case of such proceedings, reporting period will be considered for the status of the company or body corporate for being covered under Rule 3(1)</p>	Only proceedings which are relevant or connected to any audit during the last 5 years would be covered.
14 continued	<p>c) The required information is expected to be provided for any current partner <i>or</i> employee of the auditor, who is with the audit firm as on March 31 of the current year and information for ex-partner and ex-employee is not required to be furnished in NFRA 2.</p> <p>You are requested to confirm our understanding.</p>	(c) Complete information for past 5 years need to be reported. In description, it can be stated that the said person has since left the organization, in case such is the case.
15.	<p>Clause 8.1 requires information on the resignations.</p> <p>a. Our understanding is that such information is required to be reported only for the companies or body corporates covered under Rule 3(1), where the audit firm has resigned during the past three years. Date of resignation would imply the effective date of resignation.</p>	(a) audited entity must be a company or a body corporate covered under Rules 3(1)(a) to 3 (1) (e)of NFRA Rules 2018, or not.

	<p>b. Our understanding is that rotation of auditor after completing the term of appointment (one term of 5 years or two terms of 10 years) is not considered as resignation.</p> <p>c. Reporting period for resignation is understood to be the period subsequent to issuance of last audit report by the auditor. For example, if the auditor has resigned in August 2018 after completing the audit for the year ended March 31, 2018, the reporting period for which the resignation was submitted will be the year ended March 31, 2019.</p> <p>You are requested to confirm our understanding.</p>	<p>(b) Completion of tenure is not resignation.</p> <p>(c) Yes</p>
16.	<p>Clause 8.2 requires information regarding whether the Auditor has withdrawn an audit report on financial statements or withdrawn its consent to the use of its name in a report, document, or written communication in the past three reporting periods. Our understanding is that this information is limited to statutory audit reports.</p> <p>You are requested to confirm our understanding.</p>	<p>Information is required to be provided in respect of all instances where Auditor has withdrawn the Audit Report or withdrawn his consent.</p>
17.	<p>Considering the information is confidential for the audit firms, including the client list, fee information and details of proceedings against the partner / employee of the firm, we request if the content of Form NFRA-2 be treated as confidential and not shared with any third party of disclosed on NFRA or MCA's website with public access.</p>	<p>Information provided in form NFRA 2 will be used as provided in the Companies Act / Rules or as required by any applicable law for the time being in force.</p>
18.	<p>Para 2(a) and (b) of NFRA form 2 – The information to be provided in respect of audit reports signed off between 01 April to 31 March. For example, the first filing is due on November 2019. Here, the audit reports signed between April 1, 2018 to March 31, 2019, which (in most cases) pertain to financial year April 1, 2017 to March 31, 2018 be reflected in form NFRA - 2. This is consistent with the requirement of Clause 4(a) of the form: "Number of entities specified in rule 3(1) (a) to (d) for which the Auditor issued any audit report(s) during the reporting period"</p>	<p>Reporting period in case of filing NFRA 2 by 7.3.2020 will be 1.4.18 to 31.3.19. Audit reports signed during the reporting period need to be reported.</p>
19.	<p>Para 3.1 (a) of NFRA form 2 is applicable only where the reporting firm is an auditor of the body corporate covered under Rule 3(1) (e). For example, in case an Indian firm audits the accounts of a body corporate covered under Rule 3(1) (e), only then the Indian firm would require to file this.</p>	<p>Para 3(1) (a) of NFRA 2 form is applicable only in respect of Auditors who have Audited entities falling under Clause 3(1) (e). NFRA 2 form is to be filed by the Auditor which has signed any audit report pertaining to any auditee falling under Rule 3(1) (a) to 3 (1) (e) of NFRA Rules 2018, during the reporting</p>

		period.
20.	Para 3.1 (b) of NFRA form 2 - Whether the Auditor filing the annual return has been subjected to any other reviews by other regulators. Following regulators to be covered: - ICAI (Peer Review/QRB) Overseas regulators (E.g., PCAOB), as applicable express any opinion on any specified matter in the Auditor's report	Para 3(1) (b) of NFRA 2 form is to be filled by Auditors who have Audited entities falling under Clause 3(1)(e) of NFRA Rules, 2018. In such case information is to be filled in about all regulators who have reviewed the work of such Auditor.
21.	Para 3.1 of NFRA Form 2 - Whether details of quality review conducted during FY 2018-19 is required or quality review conducted earlier year covered under NFRA in FY 2018-19 ?? Please refer point No. 3, For eg. Company covered in NFRA in FY 2018-19 but quality review was conducted in FY 2015-16.	All reviews conducted during the reporting period may be provided.
22.	Will the companies not listed in India but Listed abroad be covered ? Please refer point No. 4(a) (4) of NFRA Form 2 For eg. Company was listed in US for which US GAAP audit was done by PCAOB registered firm in India.	NFRA 2 form is to be filed by the Auditor which has signed any audit report pertaining to any auditee falling under Rule 3(1) (a) to 3 (1) (e) of NFRA Rules 2018, during the reporting period.
23.	As per point 3.1.a.(v) - any adverse remarks by the regulator / agency providing such rating. Request you to clarify the meaning of adverse remark by the regulator	The term is clear. Any remarks/qualifications/observation not meeting the standards of Accounting / Audit / not as per the law / quality benchmark of the relevant jurisdiction would generally be considered to be of adverse nature and need to be reported.
24.	Whether CAG audits be included in point 4.a.I. 4 (body corporate which has been referred by the Central Government) ?	4.a.I. 4 refers to Rule 3(1) (a) to 3 (1)(d) of NFRA Rules 2018 and is not related with Audit conducted by CAG.
25.	In case of Point 4.a.I.8.(B) requires registration number of EQCR. As per Para 72 of SQC 1 "Quality Control for Firms that perform audit and reviews of historical financial information and other assurance and related service engagements" even an outsider / person not part of the firm can be appointed as the EQCR. How this is to be considered for the purpose of reporting in form NFRA- 2?	Name and ICAI membership No. of the person who performed EQCR is to be stated, irrespective of if he is a partner in the Audit firm or not.
26.	Request you to clarify total fee should include fees received or fees billed to the client?	Fees received includes fees due but not paid.
27.	As per point 4.b - Number of entities specified in rule 3(1) (e) for which the Auditor issued any audit report(s) during the reporting period. Whether the auditor here refers to the reporting firm or the auditor	Para 4(b) of NFRA 2 form relates to Auditor of entity under Rule 3(1) (e) of NFRA Rules 2018.

	of the foreign component?	
28.	As per point 4.b.I.16/4.b.I.18 - Whether consolidated income / income here includes other income?	Consolidated income includes income from all sources.
29.	As per point 4.b.I.17/4.b.I.19 - Whether net worth here means net worth as defined under Companies Act, 2013?	Net worth would be as defined vide Sub section 57 of Section 2 of Companies Act, 2013.
30.	As per point 4.b.I.20 - LLPIN/ Registration Number of the firm that issued the audit report(s) for the entity in Sl. No. 15 above. In case the auditor is a firm outside India and does not have registration number issued, what is required to be mentioned here?	Entity at SN.15 will be an Indian Company or Indian body corporate only. Therefore, the auditor will be Indian LLP/ Firm/ Individual.
31.	<p>As per point 5.a - Membership or affiliation of the auditor with any network in connection with the provision of audit services. Request you to further elaborate on the phrase “provision of audit services”</p> <p>As per 5.b.5 - Whether such network is registered with ICAI. In case ICAI does not provide registration number, how the same has to be addressed in the form NFRA 2?</p>	<p>In case the Auditor / Audit firm is a member of or affiliated to any Network, the details of the same may need to be filled in. Please refer section 144 of Companies Act for details. This is irrespective of the fact whether the service provided to any entity was with or without assistance of the network. Para 7.1 of the revised Guidelines of network issued by ICAI, states thus: <i>The duly authorized representative(s) of the Indian Member firm (s)/Member constituting the Network with entities outside India shall file a declaration with the Institute in Form `D` for Listing of such Network within 30 days from the date of entering into the Network arrangement.</i></p> <p>Since the period of reporting is 1.4.18 to 31.3.19 and last dated of filing NFRA 2 form is 7.3.2020, any Auditor/ Audit firm member of or affiliated to any Network would have reported to ICAI, accordingly.</p>
32.	As per point 7.a.I.5 The date of relevant proceedings. Please explain which date should be specified. (Date of last hearing or Date of the first hearing)	<p>Date of last hearing or date of receipt of any communication/ Show cause from the concerned authority may be stated.</p> <p>However, in case the final order has been passed, the date of such order must be mentioned.</p>
33.	As per point 7.a.I.7 Whether a final order has been passed. Whether the details of the final order should be mentioned, or a copy of the final order should be attached?	The applicant should attach a copy of the Final Order with the form.

34.	As per point 8.1.1 Whether the Auditor has withdrawn an audit report on financial statements or withdrawn its consent to the use of its name in a report, document, or written communication in the past three reporting periods. Whether past three years should be considered from FY 2015-16 or FY 2016-17?	Past three years will include the reporting period and two years preceding it.
35.	As per point 9 Quality Control Polices of the Auditor. Whether all polices of the Chartered Accountant firm are to be included?	In case the amount of information is voluminous, it may be indicated in the text box that the relevant information is being attached with the form.