



Frequently Asked Questions

Application of NFRA circular on communication between Auditors and Those Charged with Governance (TCWG) for listed companies

Board Leadership Center (India)



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Background

On 7 January 2026, the National Financial Reporting Authority (NFRA) issued a circular on Effective Communication between Statutory Auditors and Those Charged with Governance (TCWG), including Audit Committees, with the objective of strengthening the quality, timeliness, and documentation of two-way communication throughout the audit cycle. The circular draws on observations from NFRA's inspection and enforcement activities and reiterates regulatory expectations already embedded in the Standards on Auditing, particularly SA 260 and SA 265, rather than introducing any new audit requirements. It looks to promote more structured, meaningful, and contemporaneous engagement between auditors and those charged with governance on matters such as audit planning, significant risks, key judgements, internal control deficiencies, and audit conclusions.

Importantly, the term "Those Charged with Governance" in the circular is to be understood in the context of the auditing standards and

should not be read or interpreted as a reference to the broader corporate governance framework applicable to listed companies or companies in general under the Companies Act or SEBI regulations. The Audit Committee continues to remain the primary and central forum for communication between the statutory auditor and the company; the circular merely supplements this framework by requiring a thoughtful identification of TCWG for audit purposes, which may, depending on the facts and governance structure, include certain other directors in addition to the Audit Committee, without diluting its role as the fulcrum of auditor engagement.

The responses set out below are based on our interpretation of the circular in context of the specific questions. While these responses serve as a useful reference, evaluation of the facts and circumstances applicable to each situation may be necessary before forming a point of view.

Frequently Asked Questions (FAQs)

1. Does TCWG always mean the full Board of Directors?

The Board of Directors qualifies as TCWG because it has overall responsibility for governance. In case of listed companies, SEBI LODR and the Companies Act cast the responsibility of oversight of the financial reporting process and audit related considerations on the Audit Committee. However, before identifying the Audit Committee only as TCWG, the following factors may be considered:

- Does the Audit Committee have the authority to act in relation to the information communicated, and can provide further information and explanations the auditor may need on all aspects pertaining to the audit?
- Communication between the Audit Committee and the Board including the level of details covered by the Audit Committee as part of the meetings of the Board of Directors and level of documentation of the minutes of the meeting of the Board of Directors.

- Does the Audit Committee have access to all relevant information which require to be communicated to the auditors in relation to the audit e.g., key business-related matters, strategic decisions, regulatory matters etc.?

Accordingly, in case of a listed company, in our view, TCWG may be one of the following after considering the factors set out above:

- Audit Committee plus identified executive directors or
- Audit Committee in cases where members of the audit committee include executive directors; or
- Audit Committee with all other members of the board of directors as invitee (relevant in cases where other board members are generally invited to attend audit committee meetings)

Notwithstanding identification of a subgroup of the Board of Directors as TCWG, the auditor and/or TCWG, may in certain situations require access/interactions for the auditor with the Board of Directors.

2. Can an Audit Committee comprising of only independent directors be considered as TCWG?

As noted in response to Question 1, access to information and authority to act should be considered before designating an Audit Committee as TCWG. For an Audit Committee made up solely of independent directors, this often requires evaluation of factors such as their involvement in subcommittees and how relevant information is shared with them. In such cases, in practice, it may also be relevant as to whether the Audit Committee members believe that they can adequately cover the two-way communication process with auditors without the presence/involvement of executive directors.

3. Is TCWG a separate committee required under law?

No. TCWG is a concept under the Standards on Auditing (SA 260/SA 265) and is not a separate committee mandated by the Companies Act. The circular aligns TCWG to the SA 260 definition and expects the auditor to identify TCWG within the existing governance structure of the company.

In practice, for most companies—especially listed companies—auditor–TCWG communication will usually be structured through Audit Committee meetings, because the Audit Committee has primary responsibility under the SEBI LODR and the Companies Act for significant matters relating to audit oversight (such as the audit process, key estimates/judgements, and auditor interactions).

Where TCWG is broader than the Audit Committee, the same meeting can be run as an Audit Committee meeting with Board members identified as part of TCWG invited, and the agenda and minutes should still meet the documentation expectations applicable to Audit Committee meetings.

4. Can people who are not directors (e.g., CFO, Company Secretary) be TCWG?

TCWG members are expected to be those with governance responsibility, which in most cases means members of the Board of Directors (or a Board sub-group). The circular positions TCWG within the Board structure and expects the auditor to determine TCWG accordingly.

However, effective two-way communication with TCWG typically requires participation from management (e.g., CFO, Company Secretary, CEO, Head of Internal Audit) in relevant portions of meetings to provide business and financial context, respond to auditor questions, and confirm actions. Their presence supports the quality of the discussion, but it does not change the fact that TCWG itself comprises Board members, with management attending as invitees/participants for specific agenda items.

5. Is there a conflict if executive directors are included in TCWG?

The circular acknowledges that TCWG can be a sub-group of the Board and that the composition should allow TCWG to discharge its governance responsibilities in relation to the statutory audit effectively. Including executive directors may be necessary as their involvement improves the collective knowledge of TCWG, particularly in discussions involving strategic decisions, complex business changes, significant regulatory issues, or areas where operational context is critical for meaningful oversight.

The Audit Committee (and especially independent directors) should continue to set the tone for governance, ensure that management's explanations are appropriately challenged, and that the record reflects the oversight role being performed—while executive directors contribute factual context and operational insight.

6. If TCWG does not comprise of the entire Board of Directors, is the TCWG required to update the Board on matters discussed with auditors?

SA 260 requires that the auditor communicates with a sub-group treated as TCWG, the auditor should consider the adequacy of communication between that sub-group and the full Board and whether the auditor should also communicate directly with the full Board.

There should be a clear mechanism for the Audit Committee (or TCWG sub-group) to communicate with the Board of Directors on significant audit matters. The effectiveness of this mechanism is strengthened when the minutes and Board papers demonstrate what was discussed, what was challenged, what actions were agreed, and how those matters were communicated to the Board.

7. Who is a “nodal person,” and can an independent or non-independent director play that role?

NFRA recommends that the Board’s communication framework includes nodal persons—from both the Board and the audit engagement team—to enable effective, continuous two-way communication through the audit cycle. The circular explicitly notes that Board nodal persons may include independent directors as well as non-independent directors.

The nodal person should be understood as the primary governance touchpoint within the TCWG group for the auditor—helping ensure continuity of dialogue, prompt escalation of matters to TCWG, and clarity on what information TCWG expects and when. This does not mean the nodal person must personally manage administrative coordination (scheduling, circulation, minute-keeping). Those administrative tasks can be supported by the

Company Secretary/management, while the nodal person is still responsible for ensuring the governance effectiveness of the communication framework.

In our view, the Audit Committee Chairman may be best placed to play the role of a nodal person. This would provide a direct line of communication between Audit Committee Chairman and Audit Engagement Partner which is a good practice.

8. How should these communications be documented—are email exchanges enough?

The circular is clear that effective auditor–TCWG communication must be documented and replayable. Communications should be in writing; if discussions are held orally, they should be documented in writing with appropriate details such as date/time, attendees, and the substance of the communication. The written communications should form part of the audit workpapers and should also be reflected in the agenda and minutes of the relevant Board/Audit Committee meeting.

The circular also makes it clear that bullet-only slide packs or “silence = acceptance” caveats are not substitutes for proper communication and documentation. The expectation is that TCWG meaningfully considers the matters raised, provides views/directions, and that this is captured in the record. In terms of cadence, NFRA recommends at least two meetings per year—a planning-stage interaction and a completion-stage interaction—held sufficiently in advance of approval of the financial statements so that TCWG has real opportunity to influence outcomes (e.g., follow-up actions, disclosure enhancements, remediation of deficiencies).



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