



SA 260 Revisited: Strengthening Communication Between Auditors and Those Charged with Governance

Why Audit Communication Is Back in Focus

Communication between auditors and those charged with governance (TCWG) is a critical element of audit quality, particularly in areas such as audit planning, risk assessment, and significant judgements. Recent regulatory reviews have brought renewed focus to how these long-standing requirements are being applied in practice. [The NFRA circular issued on 7 January 2026](#) is a timely reminder in this context. It does not introduce new obligations. Instead, it draws attention back to a standard that applies to every audit, across listed and unlisted entities, alike [SA 260](#). This article revisits SA 260 through the lens of the NFRA circular and recent regulatory observations, focusing on how communication between auditors and those charged with governance is expected to be structured, the roles envisaged for Boards and Audit Committees in enabling this communication, and why renewed attention to this area is timely.

Scope and applicability of SA 260

SA 260 is often discussed in the context of large, listed entities and formal audit committee interactions. That framing can obscure its broader applicability. SA 260 applies to all audits, irrespective of size or listing status. The difference lies not in whether communication is required, but in how it is scaled.

At its core, SA 260 recognises that TCWG, typically the Board of Directors, or a subset such as the Audit Committee, carries responsibility for oversight of the financial reporting process. The auditor's role includes establishing a structured, two-way dialogue with TCWG that supports this oversight. This dialogue is integral to audit quality.

SA 260 requires auditors to: determine who constitutes TCWG at the outset of the audit; to communicate clearly the form, timing, and expected content of

communications; and to maintain regular, two-way interaction throughout the audit cycle. Where communication is routed through a subgroup, the auditor is expected to consider whether additional communication with the full Board is necessary. These judgements are foundational, and they must be made consciously, documented, and revisited as the audit evolves.

NFRA Circular on the subject

The NFRA circular reinforces the message that ineffective communication between auditors and TCWG has direct governance implications. By anchoring its observations in SA 260 and SA 265, the circular highlights audit communication as the mechanism through which TCWG gains visibility into audit planning, key risks, significant judgements, internal control matters, and auditor independence, while also enabling auditors to obtain governance insights that support their risk assessment and audit responses. Gaps in this mechanism can result in weaker oversight and less informed audit responses, often arising from incomplete, delayed, or unclear information. Importantly, the circular reiterates that the existence of an audit does not dilute the responsibilities of the Board, Audit Committee, or Independent Directors. Effective communication is what enables each of these stakeholders to discharge their roles meaningfully. Seen in this light, SA 260 operates as a practical framework for enabling informed governance and effective audit execution.

Collective Responsibilities

The circular highlights the respective responsibilities of key stakeholders. The Board remains responsible for approving financial statements and affirming key assertions through the Directors' Responsibility Statement. Independent Directors are expected to actively satisfy themselves on the integrity of financial information, risk management, and internal controls, and to ensure that concerns are debated, addressed, and, where unresolved, formally recorded. Audit Committees, meanwhile, sit at the intersection of governance and assurance. Their role extends well beyond receiving audit findings; this also includes discussions with the auditor on the planned scope and timing of the audit, monitoring auditor independence, evaluating significant estimates and judgements, and engaging in pre- and post-audit discussions that meaningfully influence the outcome. For auditors, the responsibility is twofold: to form an opinion on whether the financial statements present a true and fair view, and to comply with the requirements of the auditing standards, including the communication and reporting obligations imposed by SAs. Effective audit communication enables these responsibilities to function cohesively rather than in silos.

NFRA review findings

The circular aims to highlight gaps observed in regulatory reviews of Auditor TCWG communication. NFRA observations point to weaknesses such as incorrect identification of TCWG, treating communication with management as a substitute for communication with TCWG, and relying on audit engagement letters or last-minute presentations to the Audit Committee as evidence of compliance with SA 260. NFRA

observed that communication occurring only at the stage of financial statement approval, with limited evidence of earlier dialogue on audit strategy, materiality, significant risks, or key judgements, does not meet the requirements or underlying intent of SA 260. The circular also notes instances where documentation did not sufficiently reflect the two-way nature of communication. NFRA observed, in some cases, that there was limited evidence of how TCWG inputs on strategic decisions, fraud risks, regulatory matters, or management integrity were obtained and considered by the auditor. Where such linkages are not evident, communication risks being reduced to information sharing rather than the governance dialogue envisaged under SA 260.

Communication Requirement under Other SAs

The circular also notes instances in which matters that require communication under other Standards on Auditing were not clearly reflected in communications with TCWG. These included significant or unusual transactions outside the normal course of business, instances of non-compliance with laws and regulations, related party matters, and identified internal control deficiencies.

Such matters are central to TCWG's oversight responsibilities, as they have a direct bearing on risk, compliance, and the integrity of financial reporting.

Strengthening Audit Communication Through Thoughtful Design

Looking ahead, the circular reiterates that the Board has a central role in designing, documenting, and overseeing an overarching framework governing communication between auditors and TCWG. This framework is expected to articulate the purpose and objectives of two-way communication, identify nodal participants from both the Board or Audit Committee and the audit engagement team, and set clear expectations for proactive information sharing by TCWG, including strategic decisions affecting the audit, fraud-related or management integrity concerns, regulatory interactions, and internal control matters.

The circular further emphasises the need for governance around this framework, including defined escalation protocols from sub-groups to the full Board, clear processes for recording TCWG views, directions, and actions, agreed meeting frequency with standard agenda coverage, and formal acknowledgement of significant communications through minutes or written records. Within this structure, certain matters are expected to be addressed consistently, including audit strategy, materiality and risks of material misstatement, the internal control environment, significant findings and judgements, the use of experts, and auditor independence and ethical safeguards.

This structured approach allows SA 260 to be applied in a manner that is both robust and scalable, with the level of formality tailored to the entity while the core principles of clarity, timeliness, two-way engagement, and documentation remain intact.



Conclusion

The NFRA circular, read alongside SA 260, refocuses attention on audit communication as a core governance process. Effective communication between auditors and those charged with governance is what enables Boards and Audit Committees to exercise informed oversight and allows auditors to align their audit approach with the entity's risks, judgments, and governance context.

For audit firms, this means deliberately structuring how communication with TCWG is planned, conducted, and documented across all engagements, including private companies where governance arrangements may be less formal but remain equally consequential. For

Boards and Audit Committees, it underscores the importance of establishing and overseeing a clear communication framework, one that encourages early dialogue, timely escalation, and meaningful engagement on audit strategy, significant risks, judgments, and internal control matters.

When applied in this manner, SA 260 creates a shared platform for accountability, informed decision-making, and effective oversight. It provides structure to auditor TCWG interactions making them scalable across entities and central to the quality and credibility of the audit process.

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