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National Financial Reporting Authority

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Why in News

Recently, the **National Financial Reporting Authority (NFRA)** has constituted a **Technical Advisory Committee (TAC)** to aid and advise the executive body of the NFRA on **issues relating to drafts of accounting standards and auditing standards.**

The TAC comprises **seven members** including the **chairman - R. Narayanaswamy.**

Key Points

- **Constitution:** NFRA was constituted in by the Government of India under **section 132 (1) of the Companies Act, 2013.** It is an **audit regulator.**
- **Background:** The decision to constitute the NFRA was taken after the role of auditors and the **Institute of Chartered Accountants of India** came under the scanner for alleged lapses in various corporate scams including that at the Punjab National Bank.
- **Composition:** It consists of a **chairperson**, who shall be a person of eminence and having expertise in accountancy, auditing, finance or law, **appointed by the Central Government** and such **other members not exceeding 15.**
- **Functions and Duties:**
 - **Recommend accounting and auditing policies** and standards to be adopted by companies for approval by the Central Government.
 - Monitor and enforce compliance with accounting standards and auditing standards.
 - Oversee the **quality of service of the professions** associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service.
 - Protect the **public interest.**

- **Powers:**
 - It can undertake investigation related to the following class of companies and bodies corporate, namely:-
 - Companies whose **securities are listed on any stock exchange** in India or outside India.
 - **Unlisted public companies** having **paid-up capital** of not less than **Rs. 500 crores** or having **annual turnover** of not less than **Rs. 1,000 crores** or having, in aggregate, **outstanding loans**, debentures and deposits of not less than **Rs. 500 crores** as on the 31st March of immediately preceding financial year.
 - Insurance companies, banking companies, companies engaged in the generation or supply of electricity.
 - Where professional or other misconduct is proved, it has the power to make order for imposing **penalty** of—
 - **not less than one lakh rupees**, but which may extend to five times of the fees received, in case of **individuals**; and
 - not less than ten lakh rupees, but which may extend to ten times of the fees received, in case of **firms**.
- Its account is monitored by the **Comptroller and Auditor-General of India**.
- It is **headquartered** in **New Delhi**.