



National Financial Reporting Authority

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Why in News

National Financial Reporting Authority (NFRA) is in the process of creating a verified and accurate **database of companies (Public Interest Entities) and auditors** that come under the regulatory ambit of it.

In this regard, the NFRA has been engaging with the **Corporate Data Management (CDM) division of the Ministry of Corporate Affairs (MCA)** and three recognised **stock exchanges in India**.

Key Points

- **Constitution:** NFRA was **constituted in 2018** 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:**
 - **Recommends 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 called **Public Interest Entities**:
 - 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.

Source: PIB