



National Financial Reporting Authority

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

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