



# National Financial Reporting Authority

## 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 **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:**
  - **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 31<sup>st</sup> 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.**

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