

National Financial Reporting Authority

Why in news?

\n\n

Union Cabinet has approved the creation of a National Financial Reporting Authority (NFRA).

\n\n

What are the existing audit regulators in India?

\n\n

\n

- At present Institute of Chartered Accountants of India (ICAI) is the auditing regulator.

\n

- ICAI plays the advisory role with respect to accounting and auditing standards and policies.

\n

- Listed public and private companies, Larger and Smaller unlisted companies are audited by the ICAI.

\n

- Quality Review Board (QRB) conduct quality audits for private limited companies, and public unlisted companies below the prescribed.

\n

\n\n

What is NFRA?

\n\n

\n

- National Financial Reporting Authority (NFRA) is to be an independent regulator overseeing the auditing profession.

\n

- The regulator will have a chairman, three full-time members, and one secretary. (The qualifications of these persons are yet to be decided).

\n

- NFRA can recommend formulation of accounting and auditing standards and polices which to be adopted by companies and auditors.

\n

- It can monitor and enforce such standards and policies to oversee quality of services of the professions.

\n

- NFRA would cover all listed companies and large unlisted companies, the benchmark size for which would be set down in the rules.

\n

\n\n

What are the significant powers of NFRA?

\n\n

\n

- It will have the power to debar erring auditors or audit firm for up to 10 years and impose significant fines on them.

\n

\n\n

\n

- NFRA will also have powers to impose a fine of less than Rs.1 lakh, but the amount can extend up to five times of the fees received in case of individuals.

\n

- NFRA would also have the power to refer cases to the QRB as and when it decided to do so.

\n

\n\n

What is the account of creation of NFRA?

\n\n

\n

- In India the audit profession had become very complacent in the idea that there would be no oversight.

\n

- The idea for an NFRA came following the Satyam scam in 2009, following which the Standing Committee on Finance recommended the creation of an audit regulator.

\n

- Following that many provisions of the Companies Act, 2013 came into force in 2014 but the setting up of the NFRA a key recommendation, was delayed.

\n

- The decision appears to have been prompted by recent Punjab National Bank fraud that went undetected by auditors.

\n

\n\n

\n

- The government is quite clear that the need for such a body is all the more important after several financial accounting scams.

\n

\n\n

\n\n

Source: The Hindu

\n

