

National Financial Reporting Authority (NFRA) - UPSC

Notes for GS3

The National Financial Reporting Authority (NFRA) is administered by the Ministry of Corporate Affairs under the Government of India to regulate the auditing standards in the country. UPSC Aspirants should be aware of important topics related to Finance and Economics in order to score more marks in the [IAS Exam](#).

National Financial Reporting Authority (NFRA) can be related to Indian Economy of the General Studies Paper 3 in the [UPSC Syllabus](#). Indian economy/Economics is part of both the UPSC Prelims Syllabus and the UPSC Mains Syllabus. This highly relevant and scoring subject often poses a challenge to IAS aspirants, as they find it hard to make notes balancing both the static and dynamic components of the topics.

National Financial Reporting Authority (NFRA)

According to the Companies Act of 2013, the National Financial Reporting Authority (NFRA) is responsible for making recommendations in accounting and auditing standards. It also oversees the Quality of Service provided by the accounting and audit professions.

- It has also been given the power to investigate matters of professional misconduct by chartered accountants or CA firms, impose a penalty and debar the CA or firm for up to 10 years.
- It is stated in the Act that “no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the National Financial Reporting Authority has initiated an investigation.”
- It is expected that the NFRA’s functioning would result in improved domestic and foreign investments, improved economic growth, assistance in development of the audit profession and supporting the globalisation of business through compliance with international practices.

NFRA Members

The NFRA is composed of one Chairperson, three full-time Members and one Secretary. The chairperson shall be a person of eminence and having expertise in accountancy, auditing, finance or law to be appointed by the Central Government.

National Financial Reporting Authority (NFRA) Jurisdiction

The jurisdiction of NFRA for investigation of CAs and their firms under Section 132 of the Companies Act would extend to large public companies that are not listed (threshold prescribed in the rules) and listed companies.

- It is at the discretion of the Central Government to refer such other entities for investigation, involving public interest.
- Under the provision of the Chartered Accountant Act of 1949, the essential role of ICAI (Institute of Chartered Accountants of India) will continue in respect of its members in general and explicitly concerning audits about private limited companies, and public unlisted companies below the threshold limit to be notified in the rules.
- ICAI would continue playing the advisory role with respect to accounting and auditing standards and policies through **recommendations to the NFRA**.
- Quality audit with respect to public companies that are not listed and are below the prescribed threshold, private companies that are listed and those companies delegated by the NFRA would be continued to be done by the Quality Review Board (QRB).

NFRA Benefits

The expected benefits of having the NFRA are listed below.

- India gains eligibility for IFIAR (International Forum of Independent Audit Regulators), which was denied earlier, resulting in enhancing the confidence of Foreign/Domestic investors and India's position on a global scale.
- Increase in foreign/domestic investors.
- Economic growth.
- IFIAR eligibility proves our international standards of business, further supporting globalization.
- Further development of the auditing profession.
- Establishment of NFRA will free resources for the ICAI to work on developing new and complex skills needed in the uncertain world of technology.

