

NATIONAL FINANCIAL REPORTING AUTHORITY

The most important clarification whether NFRA Form is required to be filed by any company or not by 31st July 2019

July 1 is Chartered Accountants' Day marking the date on which the Chartered Accountants Act came into effect in 1949. On the same day after 70 years, NFRA is constituted with the main mission of regulating the auditing profession to improve the transparency and reliability of financial statements and information presented by listed companies and large unlisted companies in India.

I. Powers of NFRA

As per Notification dated 13th November 2018, National Financial Reporting Authority (NFRA) **shall have power**

- (a) to monitor, enforce compliance with accounting standards and auditing standards,
- (b) oversee the quality of service or
- (c) shall also have the power to undertake investigation *suo moto* or on a reference made to it by Central Government,

into the matters of professional or other misconduct committed by any member or firm of Chartered Accountant registered under the Chartered Accountants Act, 1949 for the **following class of companies and bodies corporate**.

This power of NFRA is notwithstanding anything contained in any other law for the time being in force. Once the investigation has been started by NFRA, no other institute (including Institute of Chartered Accountants of India) or any other body shall initiate or continue any proceedings in the matter of misconduct of Chartered Accountant.

II. Class of companies and bodies corporate

(a) Companies whose securities are listed on any stock exchange in India or outside India;

(b) Unlisted public companies having

- (i) paid-up capital of not less than Rs.500 Crores or
- (ii) annual turnover of not less than Rs.1000 Crores or
- (iii) 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;

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(c) insurance companies, banking companies, companies engaged in the generation or supply of electricity, companies governed by any special Act for the time being in force or bodies corporate incorporated by an Act in accordance with clauses (b), (c), (d), (e) and (f) of sub-section (4) of section 1 of the Act;

(d) any body corporate or company or person, or any class of bodies corporate or companies or persons, on a reference made to the Authority by the Central Government in public interest; and

(e) a body corporate incorporated or registered outside India, which is a subsidiary or associate company of any company or body corporate incorporated or registered in India as referred to in clauses (a) to (d), if the income or networth of such subsidiary or associate company exceeds twenty per cent. of the consolidated income or consolidated networth of such company or the body corporate, as the case may be, referred to in clauses (a) to (d).

III. Explanation of applicability of filing Form NFRA-1

1. The Company which are in the above list is not required to file NFRA -1 as through ADT-1 the details of Auditors of the Company is available to NFRA.
2. The Company which are not in above list is also not required to file NFRA-1 as through ADT-1 the details of Auditors of the Company is available to NFRA.
3. However, if the company [**which is listed above in pt (a) to (c)**] has any body corporate **incorporated or registered outside India**, which is a subsidiary or associate company of the Company and if the **Income or Networth** of such subsidiary or associate company exceeds 20% of the consolidated income or consolidated networth of such company or the body corporate then the Form NFRA -1 is required to be filed by such existing body corporate.

IV. Time frame to file NFRA-1

Originally as per Rules, the Form NFRA -1 was required to be filed in 30 days from the date of commencement of the NFRA Rules, 2018 . However vide Circular dated 18th October, 2018 , MCA had clarified that only bodies corporate are required to file this Form NFRA-1 in 30 days from the date of deployment of the Form on the website of MCA or NFRA.

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V. Auditor to file separate Annual Return with NFRA

As per Rule 5 of NFRA Rules, 2018 , every auditor of the Companies listed above in Part II is required to file a return with NFRA on or before 30th of April every year in a prescribed form as may be specified by the Central Government

VI. Education and advocacy of financial reporting by NFRA

NFRA shall take suitable measures for the promotion of awareness and significance of accounting standards, auditing standards, auditors' responsibilities, audit quality and such other matters through education, training, seminars, workshops, conferences and publicity.

Conclusion :

Prime Minister Narendra Modi addressed the CA Day gathering in Delhi last year and mentioned the gathering to support the country and not the client . He had also warned of the consequences of their assisting tax evasion, money laundering and fraud to corporate India.

After the Satyam scandal in the year 2009, the Standing Committee on Finance proposed the concept of National Financial Reporting Authority (NFRA) for the first time and the Companies Act, 2013 gave the regulatory framework for the constitution of NFRA under section 132, which was effective from 21st March 2018. NFRA consists of four members (i) Chairman (ii) three full-time members and (iii) one secretary. Mr. Rangachari Sridharan was appointed as the first chairman of the body in October 2018.

After set up of NFRA, India is now eligible for membership of International Forum of Independent Audit Regulators (IFIAR) .IFIAR is an global member organization comprising independent audit regulators from 53 jurisdictions and its mission is to serve the public interest and enhance investor protection by improving audit quality globally. It was established in Paris in the year 2006. Lastly, for successful implementation of its mission it is imperative to have personnel of high proficiency and impeccable uprightness in NFRA and not to be appointed through acquaintances of the accounting industry.

In the society, the professionals are earning top respect due to their skills and they are expected to be neutral and there has to be a pull from the professional to raise the bar for better and transparent financial reporting. Since it has not happened there is this push which has come from the regulator.
