

National Financial reporting agency

Why in news?

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Centre is likely to institute a new independent regulator the National Financial Reporting Authority (NFRA).

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What are the issues with ICAI?

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- The Institute of Chartered Accounts for India (ICAI) the professional association of chartered accountants.

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- The ICAI's has a poor regulatory record, it serves as an argument against self-regulation.

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- The prosecution rate of the offenders is too low, and the whole process drags on for years with thousands of pending cases with the ICAI,

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- E.g. only around 25 auditors have faced action in over a decade and around 1,400 cases were pending.

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What is NFRA?

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- The NFRA have adequate powers to enforce compliance of accounting standards and punish violations.

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- From the earlier agency the National Advisory Committee on Accounting Standards (NACAS) the powers are to be transferred to NFRA.

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- The proposed NFRA could have as many as 15 members charged with

regulating the profession.

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- The chairman is mandated to advise on issues related to audit and accounting standards and be the regulator for the profession.
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- The law provides for NFRA to look into matters of professional or other misconduct and also suspend CAs and firms from practising for six months to 10 years.

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What is the need for such agency?

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- The demand for the NFRA is not a new one, the Companies Act of 2013 already provides for such a regulatory body, but it is not efficient.
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- Instituting a separate body to enforce discipline, the government will be removing a clear conflict of interest.
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- Many chartered accountants help tax evaders hassle free, this agency will help to have check on such people.
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- The credibility of accounting professionals is a critical component of market functioning.

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Source: Business Standard

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