


The logo for Corpbiz, featuring a stylized 'C' with a blue and orange gradient and a small blue circle above the 'i', followed by the word 'orpbiz' in a black sans-serif font. The logo is set within a white circular background.

Corpbiz

A magnifying glass is held over a calculator. The calculator's LCD screen displays the word 'Audit' in a large, black, serif font. The calculator is light grey with orange accents. The background shows a blurred document with financial data.

Audit

MCA rationalises penalty provisions under NFRA amendment rules 2022

A close-up shot of a hand holding a black pen, positioned over a document. The document contains financial figures.

165,000

35,000
162,145

MCA rationalises penalty provisions under NFRA amendment rules 2022

The ministry of corporate affairs has released an official order that talks about the amendment of audit rules. The ministry aims to rationalise the penalty provisions relating to contraventions designed for proper compliance.

The New National Financial Reporting Authority (NFRA) amendment rules 2022 state that non-compliance would attract a penalty of Rs. 5000, and if the non-compliance continues, Rs. 500 will be charged for each day during the period of infringement. This penalty shall apply to all the offences that do not have a specific penalty mentioned elsewhere in the law.

The new rule has been incorporated in consonance with section 450 of the Companies Act. Section 450 specifies a cap Rs.2,00,000 for companies and Rs. 50,000 for officers who are found to be defaulting. The upper limit for the fine for the continued non-compliance is dropped. However, the fine as stipulated by the new rules for the first breach and the fine levied each day following the breach of the offence shall be lower than the maximum amount the law has permitted. Section 450 levies Rs.10,000 for the first breach and Rs.1000 for subsequent breaches.

Experts state that the rationalisation of the penalty provision has been a great initiative. However, this should not make the audit professionals complacent. Mr. Vijay Kapur, Former Director, Institute of Chartered Accountants of India, said, "Auditors are responsible for protecting the public interest and their compliance with professional standards and regulatory requirements is paramount. The need to use penalty provisions should arise only in the rarest of cases,"

The government of India is planning to grant NFRA more powers in order to ensure stricter compliance steps for the audit industry. The ministry has considered a discussion paper in order to restrict audit firm's engagement with certain clients.

In the previous year, NFRA had named various statutory auditors that comprise a vast section of the auditing profession in the country. that have not filed their annual returns. The authority has taken strict action against them.



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