

NOTIFICATION New Delhi, the 21s March, 2018

G.S.R. (E).____ In exercise of the powers conferred by sub-section (3) of section 132 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, namely :-

4. Short Title and Commencement.—(1) These rules may be called The National Financial Reporting Authority (Manner of Appointment and other Terms and Conditions of Service of Chairperson and Members) Rules, 2018.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions.— (1) In these rules, unless the context otherwise requires,—

(a) “Act” means the Companies Act, 2013 (18 of 2013);

(b) “Authority” means the National Financial Reporting Authority constituted under sub- section (1) of section 132 of the Act.

(2) Words and expressions used in these rules and not defined, but defined in the Act shall have the meanings respectively assigned to them in the Act.

3: Composition of Authority.- (1) The Authority shall consist of the following persons to be appointed by the Central Government, namely:-

(a) a chairperson;

(b) three full time members; and

(c) nine part time members.

(2) The chairperson shall be a person of eminence, ability, integrity and standing and having expertise and experience of not less than twenty-five years in the field of accountancy, auditing, finance or law.

(3) A full-time member shall be a person of ability, integrity and standing and having expertise and experience of not less than twenty years in the field of accountancy, auditing, finance or law.

(4) The chairperson and all members, before being appointed, shall submit a declaration to the Central Government confirming that they **have no conflict of interest or lack of independence** in respect of such appointment as chairperson or members **in Form | annexed** to these rules, failing which their appointment shall not be considered.

(5) The chairperson and full-time members, shall not be associated with any audit firm including related consultancy firms **during the course of their appointment and two years after ceasing to hold such appointment.**

(6) A part-time member shall be a person who shall not, have any such financial or other interest as is likely to **affect prejudicially his functions as a part-time member.**

4. Manner of appointment.- (1) The Central Government shall appoint the chairperson and a full time member referred to in rule 3 on the recommendation of a search-cum-selection committee consisting of —

(a) Cabinet Secretary - Chairperson;

(b) Additional Principal Secretary to the Prime Minister --- Member;

(c) Secretary — Ministry of Corporate Affairs— Member;

- (d) Chairperson, National Financial Reporting Authority (for selection of full-time members) — Member;
- (e) three experts of repute from a panel of experts in the field of accountancy, auditing, finance, law (to be nominated by the Central Government) - Members
- (2) The Secretary, Ministry of Corporate Affairs shall be the convener of the search- cum-selection committee.
- (3) The search-cum-selection committee shall determine its procedure for making its recommendation.
- (4) No appointment of chairperson or a full time member shall be invalid merely by reason of any vacancy or absence in the search-cum-selection committee.**
- (5) The search-cum-selection **committee shall make its recommendations in regard to** appointment of chairperson or the members, as the case may be, to the Central Government **(within a reasonable period of time)** from the date of reference made to it by the Central Government.
- (6) The following persons shall be appointed as part time members of the Authority namely:-
 - (i) one member to represent the Ministry of Corporate Affairs, who shall be an officer not below the rank of Joint Secretary, ex-officio;
 - (ii) one member to represent the Comptroller and Auditor General of India, who shall be an officer not below the rank of Accountant General or Principal Director, ex-officio;
 - (iii) one member to represent the Reserve Bank of India, who shall be an officer not below the rank of Executive Director, ex-officio;
 - (iv) one member to represent the Securities and Exchange Board of India, who shall be an officer not below the rank of Executive Director, ex-officio;
 - (v) **President, Institute of Chartered Accountants** of India, ex-officio;
 - (vi) Chairperson, **Accounting Standards** Board, Institute of Chartered Accountants of India, ex-officio;
 - (vii) Chairperson, Auditing and Assurance Standards Board, Institute of Chartered Accountants of India, ex-officio; and
 - (viii) two experts from the field of accountancy, auditing, finance or law.
- 5. **Medical fitness.**—No person shall be appointed as the chairperson or full time member unless he is declared **medically fit by an authority specified by the Central Government in this behalf.**
- 6. **Resignation.**— The chairperson or a member may, by writing under his hand addressed to the Central Government, **resign from his office at any time:**

Provided that the chairperson or member shall, unless he is permitted by the Central Government to relinquish office sooner, continue to hold office until the expiry of three months from the date of receipt of such notice or until a person duly appointed as a

successor enters upon his office or until the expiry of his term of office, whichever is the earliest.

7. **Removal from office.**— (1) The Central Government may, **on the recommendation of a Committee** referred to in sub-rule (1) of rule 4, remove from office the chairperson or a member, who—

- (a) has been adjudged as an insolvent; or
- (b) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or
- (c) has become physically or mentally incapable of acting as the chairperson or member; or
- (d) has acquired such financial or other interest as is likely to affect prejudicially his functions as the chairperson or member; or
- (e) has so abused his position as to render his continuance in office prejudicial to the public interest:

Provided that the chairperson or the interested member shall not be the member of such Committee, where the subject matter of the cause is against him.

3° (2) No member shall be removed under clauses (b) to (e) of sub-rule (1) unless he has been given a reasonable opportunity of being heard in the matter.

8. **Procedure for inquiry of misbehavior or incapacity of the chairperson or a member.**—

(1) If a written complaint is received by the Central Government, alleging any definite charge of misbehavior or incapacity to perform the functions of the office in respect of the chairperson or a full time member, the Ministry of Corporate Affairs shall make a preliminary scrutiny of such complaint.

(2) If on preliminary scrutiny, the Ministry of Corporate Affairs, is of the opinion that there are reasonable grounds for making an inquiry into the truth of any such misbehavior or incapacity of the chairperson or full time member, it shall make a reference to the Committee constituted under sub-rule (1) of rule 4 to conduct the

inquiry:

Provided that the chairperson or the interested member shall not be the member of such committee, where the subject matter of the cause is against him.

- (3) The Committee shall complete the inquiry within one hundred and twenty days time or such further time as may be extended by the Central Government on the request of the committee in this behalf.
- (4) After the conclusion of the inquiry, the Committee shall submit its report to the Central Government stating therein its findings and the reasons thereof on each of the charges separately with such observations on the whole case as it may think fit.
- (5) The Committee shall not be bound by the procedure laid down by the Code of Civil Procedure, 1908 (5 of 1908) but shall be guided by the principles of natural justice and shall have power to regulate its own procedure, including the fixing of date, place and time of its inquiry.

9. **Term of Office.**- (1) The term of office of the chairperson and a full time member shall be **three years** from the date on which he enters upon his office or till he **attains the age of sixty-five years, whichever is earlier, and he shall be eligible for re-appointment for one more term.**
- (2) A part -time member shall hold office for a period, not exceeding three years, as may be specified in the order of his appointment or the period for which he holds the substantive post by virtue of which he has been appointed as the part-time member, **whichever is earlier, but shall be eligible for re-appointment.**
10. **Vacancy.**-- In case of a vacancy in the office of the chairperson or a full-time member, the Central Government shall have the power to appoint **the senior most full- time member or in his absence any other full time member** to officiate as chairperson.

132. CONSTITUTION OF NATIONAL FINANCIAL REPORTING AUTHORITY

(1) The **Central Government** may, by notification, constitute a **National Financial Reporting Authority** to provide for matters relating to **accounting and auditing standards** under this Act.

(2) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

- (a) **make recommendations** to the Central Government on the formulation and laying down of **accounting and auditing policies** and standards for adoption by companies or class of companies or their auditors, as the case may be;
- (b) monitor and enforce the compliance **with accounting standards and auditing standards** in such manner as may be prescribed;
- (c) **oversee the quality of service of the professions** associated with ensuring compliance with such standards, and suggest **measures required for improvement in** quality of service and such other related matters as may be prescribed; and
- (d) perform such other functions relating to clauses (a), (b) and (c) as may be prescribed.

(3) The National Financial Reporting Authority shall consist of a **chairperson**, who shall be a person of eminence and having expertise in **accountancy, auditing, finance or law** to be appointed by the Central Government and such other members not exceeding fifteen consisting of **part-time and full-time members as may be prescribed**:
Provided that the terms and conditions and the manner of appointment of the chairperson and members shall be such as may be prescribed:

Provided further that the chairperson and members shall make a declaration to the Central Government in the prescribed form regarding no conflict of interest or lack of independence in respect of his or their appointment:
Provided also that the chairperson and members, who are in full-time employment with National Financial Reporting Authority **shall not be associated with any audit firm (including related consultancy firms) during the course of their appointment and two years after ceasing to hold such appointment.**

(4) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

(a) **have the power to investigate, either suo motu or on a reference** made to it by the Central Government, for such class of bodies corporate or persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949:

Provided 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 under this section;

(b) have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely:—

- (i) discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority;
- (ii) summoning and enforcing the attendance of persons and examining them on oath;
- (iii) inspection of any books, registers and other documents of any person referred to in clause (b) at any place;
- (iv) issuing commissions for examination of witnesses or documents;

(c) where professional or other misconduct is proved, have the power to make order for—

(A) **imposing penalty of—**

(I) not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and

(II) not less than ten lakh rupees, but which may extend to ten times of the fees received, in case of firms;

(B) **debaring the member or the firm from engaging himself or itself** from practice as member of the Institute of Chartered Accountant of India referred to in clause (e) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 for a minimum period of six months or for such higher period not exceeding ten years as may be decided by the National Financial Reporting Authority.

Explanation.—For the purposes of his sub-section, the expression "professional or other misconduct" shall have the same meaning assigned to it under section 22 of the Chartered Accountants Act, 1949.

(5) Any person aggrieved by any order of the National Financial Reporting Authority issued under clause (c) of sub-section (4), may prefer an appeal **before the Appellate Authority** constituted under sub-section (6) in such manner as may be prescribed.

(6) The Central Government may, by notification, constitute, with effect from such date as may be specified therein, an Appellate Authority consisting of a chairperson and not more than two other members, to be appointed by the Central Government, for hearing appeals arising out of the orders of the National Financial Reporting Authority.

(7) The qualifications for **appointment of the chairperson and members of the Appellate** Authority, the manner of selection, the terms and conditions of their service and the requirement of the supporting staff and procedure (including places of hearing the appeals, form and manner in which the appeals shall be filed) to be followed by the Appellate Authority shall be such as may be prescribed.

(8) The fee for filing the appeal shall be such as may be prescribed.

(9) The officer authorised by the Appellate Authority shall prepare in such form and at such time as may be prescribed its annual report giving a full account of its activities and forward a copy thereof to the Central Government and the Central Government shall cause the annual report to be laid before each House of Parliament.

(10) The National Financial Reporting **Authority shall meet at such times and places** and shall observe such rules of procedure in regard to the transaction of business at its meetings in such manner as may be prescribed.

(11) The Central Government may appoint a secretary and such other employees as it may consider necessary for the efficient performance of functions by the National Financial Reporting Authority under this Act and the terms and conditions of service of the secretary and employees shall be such as may be prescribed.

(12) The head office of the National Financial Reporting Authority shall be at New Delhi and the National Financial Reporting Authority may, meet at such other places in India as it deems fit.

(13) The National Financial Reporting Authority shall cause to be maintained such books of account and other books in relation to its accounts in such form and in such manner as the Central Government may, in consultation with the Comptroller and Auditor-General of India prescribe.

(14) The accounts of the National Financial Reporting **Authority shall be audited by the Comptroller and Auditor-General of India at such intervals** as may be specified by him and such accounts as certified by the Comptroller and Auditor-General of India together with the audit report thereon shall be forwarded **annually to the Central Government by the National Financial Reporting Authority.**

(15) The National Financial Reporting Authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General of India to be laid before each House of Parliament.

MINISTRY OF CORPORATE AFFAIRS NOTIFICATION

G.S.R. (E). – In exercise of the powers conferred under sub-sections (2) and (4) of section 132, sub-section (1) of section 139 and sub-section (1) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, namely :-

1. Short Title and Commencement.- (1) These rules may be called the National Financial Reporting Authority Rules, 2018.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions.- (1) In these rules, unless the context otherwise requires,-

(a) “accounting standards” means the ‘accounting standards’ as defined in clause (2) of section 2 of the Act;

(b) “Act” means the Companies Act, 2013 (18 of 2013);

(c) “auditing standards” means the ‘auditing standards’ as defined in clause (7) of section 2 of the Act;

(d) “auditor” means an individual or a firm including a limited liability partnership incorporated under the Limited Liability Partnership Act, 2008 (6 of 2009) or any other Act for the time being in force, who has been appointed as an auditor of a company or a body corporate under section 139 of the Act or under any other Act for the time being in force;..

(e) “Authority” means the National Financial Reporting Authority constituted under sub-section (1) of section 132 of the Act;

(f) “chairperson” means the chairperson of the Authority;

(g) “Division” means a division established by the Authority for the purpose of organising and carrying out its functions and duties;

(h) “Form” means the Form annexed to these Rules;

(i) “full-time member” means a member who has been appointed as such under sub-section (3) of section 132 of the Act;

J) “part-time member” means a member of the Authority other than a full-time member.

(2) Words and expressions used and not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3. Classes of companies and bodies corporate governed by the Authority: (1) The Authority shall have power to monitor and enforce compliance with accounting standards and auditing standards, oversee the quality of service under sub-section (2) of section 132 or undertake investigation under sub-section (4) of such section of the auditors of the following class of companies and bodies corporate, namely:-

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

(b) **unlisted public companies having paid-up capital of not less** than rupees five hundred crores **or having annual turnover** of not less than rupees one thousand crores or having, in **aggregate, outstanding loans, debentures and deposits** of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year;

(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).

(2) Every existing body corporate other than a company governed by these rules, shall inform the Authority within thirty days of the commencement of these rules, in **Form NFRA-1, the particulars of the auditor as on the date of commencement of these rules.**

(3) Every body corporate, other than a company as defined in clause (20) of section 2, formed in India and governed under this rule shall, **within fifteen days of appointment of an auditor** under sub-section (1) of section 139, inform the Authority in Form NFRA-1, the particulars of the auditor appointed by such body corporate:

Provided that a body corporate governed under clause (e) of sub-rule (1) shall provide details of appointment of its auditor in Form NFRA-1.

(4) A company or a body corporate other than a company governed under this rule shall continue to be governed by the Authority for a period of three years after it ceases to be listed or its paid-up capital or turnover or aggregate of loans,

debentures and deposits falls below the limit stated therein.

4. Functions and duties of the Authority.- (1) The Authority shall protect the public interest and the interests of investors, creditors and others associated with the companies or bodies corporate governed under rule 3 by establishing high quality standards of accounting and auditing and exercising effective oversight of accounting functions performed by the companies and bodies corporate and auditing functions performed by auditors.

2) In particular, and without prejudice to the generality of the foregoing, the Authority shall:-

(a) maintain details of particulars of auditors appointed in the companies and bodies corporate specified in rule 3;

(b) **recommend** accounting standards and auditing standards for approval by the Central Government;

(c) **monitor and enforce compliance** with accounting standards and auditing standards;

(d) oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service;

(e) **promote awareness in** relation to the compliance of accounting standards and auditing standards;

(f) co-operate with national and international organisations of independent audit regulators in establishing and overseeing adherence to accounting standards and auditing standards; and

(g) perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.

(3) The Central Government may, by notification, and subject to such conditions, limitations and restrictions as may be specified therein delegate any of its powers or functions under the Act, other than the power to make rules, to the Authority.

5. Annual return. Every auditor referred to in rule 3 shall file a return with the **Authority on or before 30th April every year in such form as may be specified by the Central Government.**

6. Recommending accounting standards and auditing standards.- (1) For the purpose of recommending accounting standards or auditing standards for approval by the Central Government, the Authority-

(a) shall receive recommendations from the Institute of Chartered Accountants of India on proposals for new accounting standards or auditing standards or for amendments to existing accounting standards or auditing standards;

(b) may seek additional information from the Institute of Chartered Accountants of India on the recommendations received under clause (a), if required.

(2) The Authority shall consider the recommendations and additional information in such manner as it deems fit before making recommendations to the Central Government.

7. Monitoring and enforcing compliance with accounting standards.- (1) For the purpose of monitoring and enforcing compliance with accounting standards under the Act by a company or a body corporate governed under rule 3, the Authority may **review the financial statements of such company or body corporate**, as the case may be, and if so required, direct such company or body corporate or its auditor by a written notice, **to provide further information or explanation or any relevant documents** relating to such company or body corporate, within such reasonable time as may be specified in the notice.

(2) The Authority may require the personal presence of the officers of the company or body corporate and its auditor for seeking additional information or explanation in connection with the review of the financial statements of such company or body corporate.

(3) The **Authority shall publish its findings relating to non-compliances on** its website and in such other manner as it considers fit, unless it has reasons not to do so in the public interest and it records the reasons in writing.

(4) Where the Authority finds or has reason to believe that **any accounting standard** has or may have been violated, it may decide on the further course of investigation or enforcement action through its concerned Division.

8. Monitoring and enforcing compliance with auditing standards.- (1) For the purpose of monitoring and enforcing compliance with auditing standards under the Act by a company or a body corporate governed under rule 3, the Authority may: –

(a) **review working papers** (including audit plan and other audit documents) and communications related to the audit;

(b) evaluate the sufficiency of the quality control system of the auditor and the manner of documentation of the system by the auditor; and

(c) perform such other testing of the audit, supervisory, and quality control procedures of the auditor as may be considered necessary or appropriate.

(2) The Authority may require an auditor to report on its governance practices and internal processes designed to promote audit quality, protect its reputation and reduce risks including risk of failure of the auditor and may take such action on the report as may be necessary.

(3) The Authority may seek additional information or may require the personal presence of the auditor for seeking additional information or explanation in connection with the conduct of an audit.

(4) The Authority shall perform its **monitoring and enforcement activities through its officers or experts with sufficient experience in audit of the relevant industry.**

(5) The Authority shall publish its findings relating to non-compliances on its website and in such other manner as it considers fit, unless it has reasons not to do so in the public interest and it records the reasons in writing.

(6) The Authority **shall not publish proprietary or confidential information, unless it has reasons to do so in the public interest and it records the reasons in writing.**

(7) The Authority may send a separate report containing proprietary or confidential information to the Central Government for its information.

(8) Where the Authority finds or has reason to believe that any law or professional or other standard has or may have been violated by an auditor, it may decide on the further course of investigation or enforcement action through its concerned Division.

9. Overseeing the quality of service and suggesting measures for improvement.-

(1) On the basis of its review, the Authority may direct an auditor to take measures for improvement of audit quality including changes in their audit processes, quality control, and audit reports and specify a detailed plan with time-limits.

(2) It shall be the duty of the auditor to make the required improvements and send a report to the Authority explaining how it has complied with the directions made by the Authority.

(3) The Authority shall monitor the improvements made by the auditor and take such action as it deems fit depending on the progress made by the auditor.

(4) The Authority may refer cases with regard to overseeing the quality of service of auditors of companies or bodies corporate referred to in rule 3 to the Quality Review Board constituted under the Chartered Accountants Act, 1949 (38 of 1949) or call for any report or information in respect of such auditors or companies or bodies corporate from such Board as it may deem appropriate.

(5) The Authority may take the assistance of experts for its oversight and monitoring activities.

10. Power to investigate.- (1) Where the Authority has-

(a) received any reference from the Central Government for investigation into any matter of professional or other misconduct under sub-section (4) of section 132 of the Act;

(b) decided to undertake investigation into any matter on the basis of its compliance or oversight activities; or

(c) decided to undertake suo motu investigation into any matter of professional or other misconduct, after recording reasons in writing for this purpose, **it shall forward the matter to its Division dealing with enforcement for carrying out investigation and other action.**

(2) If, during the investigation, the Authority has evidence to believe that any company or body corporate has not complied with the requirements under the Act or rules which involves or may involve fraud amounting to rupees one crore or more, it shall report its findings to the Central Government.

(3) On the commencement of these rules-

(a) the action in respect of cases of professional or other misconduct against auditors of companies referred to in rule 3 shall be initiated by Authority and no other institute or body shall initiate any such proceedings against such auditors:

Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the Authority has initiated an investigation under this rule;

(b) the action in respect of cases of professional or other misconduct against auditors of companies or bodies corporate other than those referred to in rule 3 shall continue to be proceeded with by the Institute of Chartered Accountants of India as per provisions of the Chartered Accountants Act, 1949 and the regulations made thereunder.

11. Disciplinary proceedings.- (1) Based on the reference received from the Central Government or findings of its monitoring or enforcement or oversight activities, or on the basis of material otherwise available on record, if the Authority believes that sufficient cause exists to take actions permissible under sub-section (4) of section 132, it shall **refer the matter to the concerned division, which shall cause a show-cause notice to be issued to the auditor.**

(2) The show-cause notice shall be in writing, and shall, inter alia, state

(a) the provisions of the Act or rules under which it has been issued;

(b) the details of the alleged facts;

(c) the details of the evidence in support of the alleged facts;

(d) the provisions of the Act, rules or the accounting standards or auditing standards thereunder allegedly violated, or the manner in which the public interest is allegedly affected;

(e) the actions that the Authority proposes to take or the directions it proposes to issue if the allegations are established;

(f) the time limit and the manner in which the auditor is required to respond to the show-cause notice;

(g) the consequences of failure to respond to the show-cause notice; and

(h) the procedure to be followed for disposal of the show-cause notice.

(3) The show-cause notice shall enclose copies of documents relied upon and extracts of relevant portions from the report of investigation or other records.

(4) The show-cause notice shall be served on the auditor in the following manner, namely –

(a) by sending it to the auditor at the address provided by him or provided by the Institute of Chartered Accountants of India (if required by the Authority) by registered post with acknowledgement due; or

(b) by an appropriate electronic means to the email address of the auditor provided by him or it or provided by the the Institute of Chartered Accountants of India (if required by the Authority):

Provided that where the auditor is a firm –

(a) a notice to a firm shall be deemed to be a notice to all the partners or employees of that firm as on the date of service of notice;

(b) the notice shall call upon the firm to disclose the name or names of the partner or partners concerned who shall be responsible for answering the allegations;

(c) the partner whose name is disclosed by the firm shall be responsible for answering the notice against the firm, and if no partner, whether erstwhile or present, of the firm owns responsibility for the allegations made against the firm, then the firm as a whole shall be responsible for answering the allegations, and all the partners and employees of that firm as on the date of occurrence of alleged misconduct, shall be responsible for answering the allegations.

(5) The Division shall dispose of the show-cause notice within a period of ninety days of the assignment through a summary procedure as may be specified by the Authority, by a reasoned order in adherence to the principles of natural justice including where necessary or appropriate an opportunity of being heard in person, and after considering the submissions, if any, made by the auditor, the relevant facts and circumstances, and the material on record.

(6) The order disposing of a show-cause notice may provide for –

(a) no action;

(b) caution;

(c) action for imposing penalty against auditor under sub-clause (A) of clause (c) of sub-section (4) of section 132 or for debaring the auditor from engaging as such under sub-clause (B) of clause (c) of sub-section (4) of section 132 or both.

(7) The order passed under sub-rule (6) shall not become effective until thirty days have elapsed from the date of issue of the order unless the Division states otherwise in the order along with the reason for the same.

(8) The order passed under sub-rule (6) shall be served on the auditor in the manner specified in sub-rule (3) and a copy of the same shall be sent

(i) in all cases to – (a) the Central Government; and (b) the Institute of Chartered Accountants of India;

(ii) in the case of a company referred to in sub-section (5) of section 139 to the Comptroller and Auditor General of India;

(iii) in the case of a listed company to the Securities and Exchange Board of India;

(iv) in the case of a bank or a non-banking finance company to the Reserve Bank of India;

(v) in the case of an insurance company to the Insurance Regulatory and Development Authority of India;

(vi) in case the auditor is resident outside India to concerned regulator of such country; and the same shall be published on the website of the Authority.

12. Manner of enforcement of orders passed in disciplinary proceedings. (1) Where the order passed under rule 11 relates to imposition of a monetary penalty on any auditor, the auditor shall deposit the amount of penalty with the Authority within thirty days of the order:

Provided that where the auditor prefers an appeal against the order of the Authority, it shall deposit ten per cent. of the amount of the monetary penalty with the Appellate Tribunal.

(2) If, within thirty days of the order passed under rule 11, the auditor neither pays the penalty nor appeals against the order, the Authority shall, without prejudice to any other action, inform about such non-compliance to every company or body corporate (including those not covered by rule 3) in which the auditor is functioning as auditor and every such company or body corporate shall appoint a new auditor in accordance with the provisions of the Act.

(3) Where the order passed under rule 11 imposes a penalty on the auditor or debars the auditor from practice, the order shall be sent to every company or body corporate in which the auditor is functioning as auditor.

(4) Where the order passed under rule 11 debars the auditor from practice or the order under sub-rule (2) is passed, the order shall be sent to every company or body corporate (including those not covered by rule 3) in which the auditor is functioning as auditor and every such company or body corporate shall appoint a new auditor in accordance with the provisions of the Act.

13. Punishment in case of non-compliance.- If a company or any officer of a company or an auditor or any other person contravenes any of the provisions of these rules, the company and every officer of the company who is in default or the auditor or such other person shall be punishable as per the provisions of section 450 of the Act.

14. Role of chairperson and full-time members.- All matters related to, investigation, monitoring, enforcement and disciplinary proceedings shall be examined and decided by the chairperson or any one or more of the full-time members, acting through one of the Divisions.

15. Advisory committees, study groups and task forces.- For the effective performance of its functions under the Act, the Authority may constitute advisory committees, study groups and task forces.

16. Financial reporting advocacy and education.- The Authority 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.

17. Confidentiality and security of information.- (1) The Authority and all persons and organisations associated with it shall maintain complete confidentiality and security of the information provided to them for the purpose of the work of the Authority.

(2) The Authority may enter into such contractual arrangements as may be necessary in order to maintain complete confidentiality and security of the information.

18. Avoidance of conflict of interest.- (1) The Authority shall not enter into any contract, arrangement or relationship or participate in any event that may, or is likely to be perceived to, interfere with its ability to perform its functions and duties in an effective, fair and reasonable manner.

(2) In particular the Authority or any person associated with it shall not receive any funds, assets, donations, favours, gifts or sponsorships from any source other than the Central Government and shall not enter into any liabilities, obligations or commitments except as permitted by the Central Government.

19. International associations and international assistance.- (1) The Authority may become a member of regional or international associations of independent audit regulators and standard-setters on such terms as it deems fit.

(2) The Authority may provide assistance to, or receive assistance from, foreign independent audit regulators in investigation of an auditor in accordance with Indian laws on such terms as it deems fit.