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SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
DRAFT NOTIFICATION

New Delhi, _____ 2018

G.S.R. _____(E). — In exercise of the powers conferred by sub-sections (2) and (4) of section 132, sub-section (1) of section 139, section 448, section 450, 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 standard’ 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 standard’ 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) who has been appointed as an auditor of a company or a body corporate under section 139 or under any other relevant Act;
- (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) "full-time member" means a member who has been appointed as such under sub-section (3) of section 132 of the Act;
 - (i) "part-time member" means a member of the Authority other than a full-time member;
 - (j) "register" means the register of auditors maintained by the Authority under rule 9;
 - (k) "regulations" means regulations made by the Authority under rule 30.
- (2) Words and expressions used and not defined in these rules but defined in the Act shall have the same meaning respectively assigned to them in the Act.

3. Classes of companies and bodies corporate covered 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 and rules made thereunder of following class of companies and their auditors, 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 Rs. 500 crore or having annual turnover of not less than Rs. 1,000 crore or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on 31st March of immediately preceding financial year;
- (c) insurance companies, banking companies, companies covered by Special Acts or bodies corporate incorporated by an Act in accordance with clauses (b), (c),

(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 subsidiary or associate company (incorporated outside India) of any company referred to in clauses (a) to (d), if the income or networth of such subsidiary or associate company exceeds 20% of the consolidated income or consolidated networth of the company referred to in clauses (a) to (d).

(2) Every company or body corporate covered under this rule shall, after the commencement of these rules, inform the Authority, within 15 days of appointment of an auditor under section sub-section (1) of section 139, the particulars of the auditor as may be specified by the Authority in its regulations.

(3) Every company or body corporate existing on the commencement of these rules shall inform the Authority within thirty days of such commencement, the particulars of the auditor continuing in the company.

(4) A company or a body corporate covered under this rule shall continue to be covered by the Authority for three years after it ceases to be listed or its paid-up capital and/or turnover 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 covered by the Authority under rule 3 by establishing high quality standards of accounting and auditing and exercising effective oversight of accounting and auditing functions performed by auditors.

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

- (a) register auditors of the classes of 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 by review, inspection and investigation;
 - (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) engage in education and advocacy in relation to the quality of accounting and auditing;
 - (f) co-operate with national and international organisations in establishing accounting standards and auditing standards;
 - (g) co-operate with national and international organisations and regulators in ensuring compliance with accounting standards and auditing standards;
 - (h) co-operate with national and international regulators in inspection and investigation of auditors;
 - (i) promote high standards of integrity, ethics and independence among auditors and improve the quality of audit services offered by them; and
 - (j) 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. Eligibility conditions.- (1) No auditor, who is an individual, shall be eligible to be registered under these rules if he -

- (a) is a minor;
- (b) is not a person resident in India;
- (c) does not have the qualification specified in section 141 of the Act;
- (d) has been convicted by any competent court for an offence punishable with imprisonment for a term exceeding six months or for an offence involving moral turpitude, and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be registered;

- (e) is an undischarged insolvent, or has applied to be adjudicated as an insolvent;
- (f) has been declared to be of unsound mind;
- (g) is not a fit and proper person

Explanation: For determining whether an individual is fit and proper under these rules, the Authority may take account of any consideration as it deems fit, including but not limited to the following criteria-

- (i) integrity, reputation and character,
- (ii) absence of convictions and restraint orders, and
- (iii) competence, including financial solvency and net worth.

(2) No auditor, who is a firm, shall be eligible to be registered under these rules if any of its partners is not eligible under sub-rule (1).

6. Mandatory registration of auditors with the Authority.— (1) No auditor shall, after the commencement of these rules, accept any appointment as auditor or continue as auditor in a company or body corporate covered under rule 3, unless the auditor meets the eligibility conditions provided in rule 5 and registers with the Authority in accordance with this rule and the regulations as may be specified by the Authority.

(2) Every auditor appointed by a company or body corporate on the date of commencement of these rules shall apply to the Authority for registration under this rule within a period of sixty days of such commencement.

(3) The application for registration shall contain the following particulars and such other information as may be specified by the Authority in the regulations:

A. For an individual auditor:

- (a) the auditor's name and trade name or firm name;
- (b) complete postal address;
- (c) principal email address and an alternative email address for correspondence;
- (d) mobile and landline telephone number;
- (e) website address, if any;
- (f) the membership number, firm registration number assigned and peer review certificate issued by the Institute of Chartered Accountants of India, permanent account number and aadhaar number of the auditor;
- (g) the trade name or firm name of every firm of auditors in which the auditor is a partner and its firm registration number assigned by the Institute of Chartered Accountants of India;
- (h) a list of all chartered accountants employed by the auditor and their membership numbers assigned by the Institute of Chartered Accountants of

India; details in case any of of the employees hold certificate of practice and/or are associated with anyone as partner/employee;

- (i) the name and registration number of every company and body corporate covered by rule 3 for which the auditor prepared or issued audit reports for or during the immediately preceding financial year;
- (j) fees and expenses charged or received by the auditor from each company or body corporate referred to in clause (i) as under:- (A) annual fees for (a) statutory audit services, (b) tax audit services, (c) other audit and certification services, and (d) non-audit services, and (B) out-of-pocket expenses.;
- (k) a statement of the quality control policies of the auditor for its auditing practice;
- (l) information relating to criminal, civil or disciplinary actions or proceedings against the auditor or any person associated with the auditor in connection with any audit in the past ten years; and
- (m) Information, for the past three years, with regard to following matters, namely:-
 - (A) qualifications, reservations or adverse remarks made against any of the company or body corporate pursuant to clause (h) of sub-section (3) of section 143 of the Act;
 - (B) instances of matters reported by the auditor under sub-section (12) of section 143 of the Act to the Central Government or the audit committee or the Board, as the case may be .

B. For a firm of auditors:

- (a) the auditor's trade name or firm name;
- (b) complete postal address;
- (c) principal email address and an alternative email address for correspondence;
- (d) mobile and/or landline telephone number;
- (e) website address, if any;
- (f) the auditor's firm registration number assigned by the Institute of Chartered Accountants of India and permanent account number;

- (g) a list of all partners and their membership numbers assigned by The Institute of Chartered Accountants of India;
- (h) the trade name or firm name of every firm of auditors in which a partner of the firm is a partner and its firm registration assigned by The Institute of Chartered Accountants of India; details about network;
- (i) a list of all chartered accountants employed by the auditor and their membership numbers assigned by the Institute of Chartered Accountants of India; details in case any of the employees hold certificate of practice and/or are associated with anyone as partner/employee;
- (j) the name and registration number of every company and body corporate covered by rule 3 for which the auditor prepared or issued audit reports for or during the immediately preceding financial year;
- (k) fees and expenses received by the auditor from each company or body corporae referred to in clause (i) as under:- (A) annual fees for (a) statutory audit services, (b) tax audit services, (c) other audit and certification services, and (d) non-audit services, and (B) out-of-pocket expenses
- (l) A statement of the quality control policies of the auditor for its auditing practice;
- (m) Information relating to criminal, civil or disciplinary actions or proceedings against the firm or any person associated with the firm in connection with any audit in the past ten years; and
- (n) Information, for the past three years, with regard to following matters, namely:-
 - (A) qualifications, reservations or adverse remarks made against any of the company or body corporate pursuant to clause (h) of sub-section (3) of section 143 of the Act;
 - (B) instances of matters reported by the auditor under sub-section (12) of section 143 of the Act to the Central Government or the audit committee or the Board, as the case may be..

(4) The application shall be submitted along with a non-refundable processing fee specified by the Authority.

(5) The Authority shall acknowledge receipt of every application made under this

rule within three working days.

7. Certificate of registration.— (1) If the Authority is satisfied, after such inspection or inquiry as it deems necessary, it may grant a certificate of registration to the applicant in Form _____, within 30 days of receipt of the application, excluding the time given by the Authority for presenting additional documents, information or clarification, or appearing in person, as the case may be.

(2) The registration shall be subject to the conditions that the auditor shall –

- (a) at all times abide by the Act, these rules, accounting standards and auditing standards prescribed under the Act and the standards of integrity, ethics and independence specified by the Authority;
- (b) at all times continue to satisfy the requirements under the Act with respect to the qualifications and disqualifications for an auditor;
- (c) pay annual fee of such amount as the Authority may specify;
- (d) take prior permission of the Authority for such matters as may be specified by the Authority in its regulations;
- (e) maintain records including audit plans, working papers and correspondence for all assignments undertaken by the auditor under the Act;
- (f) fully co-operate with the Authority in inspections and investigations; and
- (g) abide by such other conditions as may be imposed by the Authority.

(3) An auditor whose application for registration has been rejected by the Authority may appeal against the order of the Authority to the Appellate Tribunal within 30 days of receipt of the order.

8. Refusal to grant certificate.

(1) If, after considering an application made under rule 6, the Authority is of the *prima facie* opinion that the registration ought not be granted, it shall communicate the reasons for forming such an opinion and give the auditor/audit firm an opportunity to

explain why his application should be accepted, within fifteen days of the receipt of the communication from the Authority, to enable it to form a final opinion.

(2) The communication under sub-rule (1) shall be made to the auditor/audit firm within forty five days of receipt of the application, excluding the time given by the Authority for presenting additional documents, information or clarifications, or appearing in person, as the case may be.

(3) After considering the explanation, if any, given by the applicant under sub-rule (1), the Authority shall communicate its decision to-

(a) accept the application, along with the certificate of registration, or

(b) reject the application by an order, giving reasons thereof,

within thirty days of receipt of the explanation.

9. Register of auditors.— (1) The Authority shall maintain a register of all auditors registered with it.

(2) The register shall contain the information provided by the auditor to the Authority under sub-rule (3) of rule 6.

10. Intimation of registration with the Authority.— (1) Every auditor who has been registered with the Authority shall, within 15 days of receipt of certificate of registration, intimate his registration number to every company or body corporate of which he is an auditor.

(2)) Every auditor who has been registered with the Authority shall mention his registration number in all the audit reports prepared or issued by him.

11. Temporary surrender of certificate of practice. (1) An auditor shall inform the Authority if he or any of his partners has temporarily surrendered his certificate of membership to the Institute of Chartered Accountants of India or

revived his certificate of membership after temporary surrender, not later than seven days from approval of the application for temporary surrender or revival, as the case may be.

(2) The Authority shall record the information received under sub-rule (1) in the register of auditors maintained by it under rule 9.

12. Cancellation of registration and voluntary withdrawal of registration. (1)

If the Authority has information or has reason to believe that the registration of an auditor would not be consistent with the Authority performing its functions and duties under the Act and these rules, it may cancel the registration after such enquiry as it thinks fit and after giving the auditor an opportunity of being heard including an appearance in person, if necessary or appropriate.

(2) At any time an auditor may withdraw his registration stating the reasons for withdrawal.

(3) An auditor may apply for re-registration at any time after withdrawal stating reasons for re-registration.

(4) The Authority will consider the application for re-registration in accordance with rule 6 and 7.

13. Annual return. Every auditor registered with the Authority shall file a return with the Authority in Form _____, before 30th April every year.

14. Return on certain matters:- ~~(1)~~ Every auditor registered with the Authority shall, within 15 days of making his report under section 143 of the Act to the members of the company concerned, file with the Authority a return containing the information in respect of every company or body corporate for which he has made a report if one or more of the following has been noticed during the audit:-

- (a) default by the company or body corporate in complying with any accounting standards;
- (b) deficiencies in internal financial controls and risk management areas in relation to financial statements of the company or body corporate;
- (c) fraud involving an amount of rupees 1 crore or more noticed;
- (d) default in repayment of principal or interest on loans by the company or body corporate stating separately default in case of loans from banks or financial institutions;
- (e) default by the company or body corporate in repayment of debentures/bonds issued or deposits accepted under the Act or under any other law;
- (f) details of default in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, valued added tax in case the delay is for six months or more;

15. 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;
 - (c) may direct the Institute of Chartered Accountants of India to prepare and submit for its consideration an accounting standard or an auditing standard on a specified area or subject within a reasonable period specified for such purpose by the Authority.
- (2) The Authority shall consider the recommendations and additional information in such manner as it deems fit before making recommendations to the Central

Government.

16. Monitoring and enforcing compliance with accounting standards.— For the purpose of monitoring and enforcing compliance with accounting standards under the Act by a company or a body corporate covered under rule 3, the Authority:—

- (a) may review the financial statements of a company or a body corporate in such manner as it may specify by way of regulations;
- (b) may seek information or explanations on its observations arising from such review from the company or the body corporate or its auditor as may be required;
- (c) shall give an opportunity of being heard to the company or the body corporate or its auditor before finalizing its observations;
- (d) shall, on the finalisation of its observations regarding non-compliance with accounting standards by the company or the body corporate or its auditor, forward its observations:-
 - (i) in respect of non-compliance with accounting standards by the company or the body corporate resulting in fraud involving an amount of Rs. 1 crore or more, to the Central Government for further action under the Act or any other law as the Central Government may consider necessary;
 - (ii) in respect of other non-compliance with accounting standards by the company or the body corporate, the authority may seek additional information from the company or the body corporate or the auditor and if, after examination of such additional information, comes to the conclusion that company should restate its financial statements, take action under section 130/131 of the Act or issue such directions as the Authority deems appropriate;
 - (iii) in respect of non-compliance with accounting standards by the auditor of

the company or the body corporate to a Division of the Authority as may be specified by way of regulations.

17. 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 covered under rule 3, the Authority may:

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- (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 outside experts with sufficient experience in audit of the relevant industry.
- (5) The Authority shall publish its findings 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.

Provided that the Authority shall give an opportunity of being heard to the auditor on

its findings before publishing its findings on the website:

(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.

18. Overseeing the quality of service and suggesting measures for improvement.—

(1) The Authority may specify standards for audit quality including indicators, benchmarks and other performance measures to be complied with by auditors with a view to ensuring that the services provided by auditors fulfil the reasonable expectations of the users of their services.

(2) 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.

(3) 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.

(4) 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.

(5) The Authority may delegate its functions 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.

(6) The Quality Review Board constituted under the Chartered Accountants Act, 1949 (38 of 1949) shall continue to perform its functions as provided under such Act and rules/regulations made thereunder in respect of companies or bodies corporate other than those referred to in rule 3.

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

19. Investigation.— (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 Companies Act, 2013;
- (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, after the investigation, the Authority comes to the conclusion 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 conclusion 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 or continue 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 National Financial Reporting Authority has initiated an investigation under this clause;

(b) the action in respect of cases of “professional or other misconduct” against auditors of companies referred to in rule 3 pending with the Institute of Chartered Accountants of India as per provisions of Chartered Accountants Act, 1949 (38 of 1949), for which action under rule 8 of the Chartered Accountants (Procedure of investigations of Professional and other misconduct and conduct of cases) Rules, 2007 has been initiated, shall continue to be proceeded with by that Institute as per provisions of that Act and the regulations made thereunder.

(c) 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.

20. Disciplinary proceedings.— (1) Based on the reference received from the Central Government or findings of its monitoring, enforcement or oversight activities, its inspection or investigation, 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 issue a show-cause notice to the auditor.

(2) The show-cause notice shall be in writing, and shall 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 within 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 inspection or other records.

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

- (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 provided by the The Institute of Chartered Accountants of India (if required by the Authority).

(5) The Authority shall assign the matter to its Division as may be specified by way of regulations for disposal of the show-cause notice.

(6) The Division shall dispose of the show-cause notice within a period of 90 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.

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

- (a) no action;
- (b) warning;
- (c) action for imposing penalty against auditor under section 132(4)(c)(A) or for debarring the auditor from engaging as such under section 132(4)(c)(B); or
- (d) a report to the Central Government where instances of fraud under sub-section (12) of section 143 have been reported, .

(8) The order passed under sub-rule (7) 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.

(9) The order passed under sub-rule (7) shall be served on the auditor in the manner specified in sub-rule (3) and a copy of the order shall be sent in all cases to (a) the Central Government and (b) The Institute of Chartered Accountants of India and shall be sent (c) in the case of a company referred to in sub-section (5) of section 139 to the Comptroller & Auditor General of India (c) in the case of a listed company to the Securities and Exchange Board of India, (d) in the case of a bank or a non-banking company to the Reserve Bank of India, and (e) in the case of an insurance company to the Insurance Development and Regulatory Authority of India, and shall be published on the website of the Authority.

21. Manner of enforcement of orders passed in disciplinary proceedings.—

(1) Where the order issued under sub-rule (7) of rule 20 relates to imposition of a monetary penalty on any auditor, the auditor shall deposit the amount of penalty with the Authority within 30 days of the order, unless the auditor appeals against the order of the Authority on deposit of fifty per cent of the monetary penalty with the Authority.

(2) If, within 30 days of the order under sub-rule (7) of rule 20, the auditor neither pays the penalty nor appeals against the order, the Authority shall, without prejudice to any other action, cancel the registration of the auditor after giving the auditor a reasonable opportunity of heard.

(3) Where the order issued under sub-rule (7) of rule 20 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 issued under sub-rule (7) of rule 20 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.

22. 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 with fine which may extend to ten thousand rupees, and where the contravention is continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the contravention continues.

23. Role of chairperson and full-time members.— All matters related to registration, investigation, inspection, monitoring, enforcement and disciplinary proceedings shall be examined and decided by the chairperson or any one or more of the full-time members.

24. Advisory committees, study groups and task forces.— The Authority may constitute advisory committees, study groups and task forces for the purpose of

carrying out its work.

25. Integrity, ethics, and independence.— The Authority shall formulate a code of ethics, independence and integrity to be adhered to by auditors.

26. 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.

27. 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.

28. 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.

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

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

30. Power to make regulations.— (1) The Authority may, in consultation with the Central Government, by notification make regulations consistent with the Act and these rules in order to carry out the purposes of section 132 of the Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:-

(a) the times and places of meetings of the Authority and the procedure to be followed at such meetings including quorum necessary for the transaction of business;

(b) the matters relating to constitution of various Divisions, functions of such Divisions and the procedure to be followed by them to examine and make recommendations to the Authority.

31. Regulations to be laid before Parliament.

Every regulation made under these rules shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.
