

**GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5630
ANSWERED ON:02.05.2002
PROPOSAL TO LIMIT THE TENURE OF AUDITING FIRMS
AMBATI BRAHMANAIAH

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the Government propose to limit the tenure of a auditing firm with any public limited company for a maximum of 5 years;
- (b) whether the Government are aware that presently auditing firms continue their relationship for decades continuously;
- (c) if so, the manner in which the Government propose to strengthen the regulatory mechanism by restricting a long tenure of auditing firms;
- (d) whether steps will be taken to ensure that companies do not develop an un-professional relationship with their auditors; and
- (e) if so, the steps proposed to be taken to improve the level of auditing in the country?

Answer

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS(SHRI ARUN JAITLEY)

- (a) and (b) The Companies Bill, 1997 inter-alia provides that no company shall appoint or re-appoint an auditor for more than five consecutive terms. This clause has not been approved.
- (c) Does not arise.
- (d) to (e) The Companies Act, 1956 and the Chartered Accountants Act, 1949 contain several safeguards to ensure that companies do not develop an unprofessional relationship with their auditors. Miscounduct by Chartered Accountants/Chartered Accountant firms is punishable under section 21 of the Chartered Accountants Act, 1949. Non compliance of the relevant provisions of Companies Act by them is punishable under section 233 of the Companies Act, 1956.