

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

STARRED QUESTION NO:88
ANSWERED ON:20.02.2009
INSPECTION OF COMPANIES
Khaire Shri Chandrakant Bhaurao

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Government has conducted inspection of companies which were found to have indulged in irregularities;
- (b) if so, the name of the companies which have been inspected after receiving complaints against them during the last five years; and
- (c) the steps taken by the Government including amendment of the laws,if any,to keep effective check on frauds/irregularities committed by companies against the investors?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA)

(a) to (c): A statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN ANSWER TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO.88 FOR 20.02.2009 REGARDING INSPECTION OF COMPANIES

(a) Government orders inspections under Sec.209A of the Companies Act, 1956 of the books of accounts of companies selected on account of complaints or other information relating to non-compliance with or violation of the provisions of the Companies Act,1956 or other irregularities. Suitable action under the law is taken in case any non-compliance/ violation of the Companies Act comes to notice with regard to any company on the basis of inspection reports.

(b) 263 companies were inspected on the basis of complaints received against them from 1.4.2003 to 31.1.2009.The list of companies is attached and marked as Annex A.

(c) Disclosures about the affairs of companies intended to inform the stakeholder the truth about the state of affairs of companies,have been mandated under the Companies Act,1956.To facilitate making of such disclosures by companies,and for stakeholders and regulatory agencies to easily access and view them, Government has set up an electronic registry with round the clock access through internet.The Government has powers of inspection of the books of accounts of companies and also to investigate their affairs,if need be, under the Companies Act,1956.In addition,the Act provides for appointment of independent,statutory auditors to audit the accounts and report to the shareholders. Such audited accounts are also displayed on the electronic registry for general viewing. While the reporting requirements are regulated under the Companies Act, 1956, the conduct of auditors is regulated under the Chartered Accountants Act,1949.In addition,for listed companies, compliance with these statutory requirements is required to be certified by a company secretary in practice,who in turn is regulated under the Company Secretaries Act,1980. Government has amended the Chartered Accountants Act, 1949 and the Company Secretaries Act,1980 in 2006 to provide for a more effective disciplinary mechanism to deal with cases of misconduct by Chartered Accountants and Company Secretaries respectively.In 2006,the Government has notified Accounting Standards to enable accounts of companies to be drawn up and disclosed on the basis of fair, transparent and internationally accepted principles.The Government has also introduced the Companies Bill, 2008 in the Lok Sabha to provide for a comprehensive revision of the Companies Act, 1956 including,inter alia, provisions that would enable more effective checks against irregularities/frauds by companies.