

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:4560

ANSWERED ON:22.04.2010

PENAL PUNISHMENT FOR AUDIT FIRMS FOR MISCONDUCT

Gowda Shri D.B. Chandre;Vijayan Shri A.K.S.

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Institute of Chartered Accountants of India (ICAI) has recommended penal punishment for audit firms in its report submitted to the Government in addition to the Chartered Accountants for misconduct;

(b) if so, other recommendations made by the ICAI in its report; and

(c) the steps taken by the Government to bring the audit firms within the ambit of penal punishment as far as the misconduct of their Chartered Accountants are concerned?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI SALMAN KHURSHID)

(a) The Institute of Chartered Accountants of India (ICAI) has submitted the first part of its Report, after consideration by its Council, wherein the former has recommended to the Government for amendments in the Chartered Accountants Act, 1949, Rules and Regulations framed thereunder so that action can be taken against firms of chartered accountants themselves, in addition to individual chartered accountants, for misconduct.

(b) Some of the major recommendations among others in the ICAI Report are strengthening mechanism to monitor compliance with ICAI regulatory requirements, seeking empowerment to scrutinize financial statements of public interest entities, introduction of a system by Reserve Bank of India whereby direct external confirmations on specified items like bank balances/advances/ deposits can be given to the statutory auditors by the banks concerned.

(c) The first part of the Report submitted by ICAI is under consideration of the Government.