

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:964

ANSWERED ON:16.08.2012

VIOLATION OF NORMS BY MULTI-NATIONAL ACCOUNTING FIRMS

Chavan Shri Harischandra Deoram

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Government has taken note that some top multi-national accounting firms have flouted norms to provide services in the country;
- (b) if so, the details thereof;
- (c) whether the Government has allowed Foreign Direct Investment (FDI) in accounting, auditing and book-keeping services, taxation and legal services;
- (d) if not, whether the multi-national accounting firms are allowed to operate in the country with domestic affiliates; and
- (e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS (SHRI R. P. N. SINGH)

(a) & (b): In August, 2011, Institute of Chartered Accountants of India (ICAI), sent a report to the Ministry on 'Operation of Multinational Network Accounting Firms in India' after examining documents received from 171 firms of Chartered Accountants believed to have tie ups/ arrangements with foreign firms and entities. The report mentions instances of alleged violation of Chartered Accountants Act, 1949, the Chartered Accountant Regulation, 1988, guidelines issued by the Council of ICAI and Companies Act, 1956. The Council of ICAI is yet to decide the future course of action on the recommendations contained in the Report on the operating arrangement between certain Indian Chartered Accountant firms and Multi-National Accounting Firms. No specific complaint has been brought to the notice of the Ministry as yet by ICAI. In case, any complaint of violation of the provisions of the Companies Act, 1956 and Chartered Accountants Act, 1949 are brought to the notice of the Ministry, appropriate action in the matter will be initiated.

(c): The Government of India, has in its initial offer made in 2005 at WTO level in respect of Accounting, Auditing, Book Keeping services and legal consultancy services has kept the commercial presence under Mode-3 i.e. setting up of an office by a foreign entity in India totally out of bounds. The same position continues presently. However, subject to applicable laws/sectoral rules and regulations, FDI is permitted upto 100 % on automatic route in these sectors.

(d): No, Madam.

(e): Does not arise in view of (d) above.