

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:2158

ANSWERED ON:22.08.2013

CORPORATE FRAUDS

Das Gupta Shri Gurudas

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the Government is aware that a study report by Thought Arbitrage Research Institute (TARI) revealing that the scale and size of Corporate frauds in India have zoomed/ incureas in the last 15 years with half cases of fraud dealing with siphoning of funds by promoters/ top management and defrauding the lenders;

(b) if so, the details of the findings of the report and the reaction of the Government with regard to the observations made regarding the failure of the market regulators like SEBI and the auditors of these companies; and

(c) the steps proposed to be taken by the Government to remedy the situation?

Answer

THE MINISTER OF STATE (SHRI SACHIN PILOT) (INDEPENDENT CHARGE) IN THE MINISTRY OF CORPORATE AFFAIRS

(a) & (b) Reports appearing in a section of media indicate that a Section 25 Company, "Thought Arbitrage Research Institute" has published a study indicating inter alia occurrence of frauds in companies due to factors like inadequate internal control procedures, diversion of funds by promoters/ top management, failure of audit in detection of frauds, etc. These factors are in any case widely recognised causes of frauds in companies.

(c) Government have initiated a number of measures to prevent and deal with occurrence of frauds in the companies. Attention may, in particular, be invited to the following:

Creation of "Fraud" as a substantive offence in the recently passed Companies Bill, 2013;

Stricter norms of Corporate Governance and their implementation in the Companies Bill;

Statutory status to the Serious Fraud Investigation Office (SFIO);

Amendments in securities laws through Securities Laws (Amendments) Ordinance amending the Securities and Exchange Board of India (SEBI) Act, the Securities Contracts (Regulation) Act (SCRA) and the Depositories Act enabling SEBI to deal effectively to violations of laws by companies and individuals including those running Ponzi schemes;

Increasing application of technology for early detection of frauds though data mining and Forensic Audit, etc.