

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:4555
ANSWERED ON:19.12.2014
NORMS OF CORPORATE FRAUD REPORTING
Kirtikar Shri Gajanan Chandrakant;Singh Shri Kunwar Haribansh

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the existing norms/guidelines for Corporate Fraud reporting by auditors under the Companies Act, 2013;
- (b) whether the Government proposes to relax/amend the said norms;
- (c) if so, the details thereof and the reasons therefor along with the time by which the new norms are likely to be implemented; and
- (d) the other steps taken/being taken by the Government to check corporate frauds in the country?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) to (d):- Section 143 of Companies Act, 2013 read with Rule 13 of Companies (Audit and Auditors) Rules, 2014 mandates that if an auditor of a company, in the course of performance of his duties as an auditor, encounters an offence involving frauds committed by officers or employees of a company against such company he should immediately report it to the Central Government.

In view of representations received from stakeholders, an amendment of Section 143 of Companies Act, 2013 is included in the Companies (Amendment) Bill, 2014 passed by the Lok Sabha on 17.12.2014. The amendment proposes to enable prescription or thresholds beyond which fraud shall be reported to the Central Government. Below such threshold, it will be reported to the Audit committee.