

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5288
ANSWERED ON:24.04.2015
VIOLATION OF ACCOUNTING PRINCIPLES
Muddahanumegowda Shri S.P.

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether instance of Audit firms/companies indulging in flouting of accounting principles and financial irregularities have come to the notice of the Government in the country during each of the last three years and the current year;
- (b) if so, the number of such cases reported in the country during the said period, firm/ company and State/UT-wise along with the action taken/being taken by the Government against such firms/companies;
- (c) the losses suffered by the Government due to such violation of the accounting principles during the said period; and
- (d) the other corrective steps taken/being taken by the Government in this regard?

Answer

THE MINISTER OF CORPORATE AFFAIRS(SHRI ARUN JAITLEY)

(a) to (d) Details of cases that have come to notice during the relevant period are given at Annexure-I. No specific instance of financial loss under the Companies Act on account of these irregularities has come to notice. In such cases appropriate provisions for non-compliance of Companies Act, are invoked, which include section 227 read with section 233 of Companies Act, 1956/ section 143 read with section 147 of the Companies Act, 2013. In addition, wherever required, a reference is made to the Institute of Chartered Accountants of India for disciplinary action against the erring auditor. The Companies Act, 2013 has introduced provisions to prevent such irregularities by auditors. These include:-

- (i) stricter penal provisions in case of non-compliance with provisions of the Act;
- (ii) stricter requirements with regard to eligibility/independence of auditors;
- (iii) mandatory rotation of auditors;
- (iv) prohibition on rendering specified non-audit services;
- (v) role of audit committee with regard to appointment and remuneration of auditors in case of listed and bigger companies; enhanced disclosures to be made in the Board of directors' report, financial statements and the report of auditors to the shareholders