

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:4363  
ANSWERED ON:08.08.2014  
CORPORATE FRAUDS  
Roy Prof. Saugata

**Will the Minister of CORPORATE AFFAIRS be pleased to state:**

- (a) whether top management/promoters have been found involved in corporate frauds in the country;
- (b) if so, the details thereof;
- (c) the details of the cases of corporate frauds registered in the country during each of the last three years and the current year, State/UT-wise; and
- (d) the corrective steps taken/being taken by the Government in this regard?

**Answer**

THE MINISTER OF STATE (SMT. NIRMALA SITHARAMAN) IN THE MINISTRY OF CORPORATE AFFAIRS

(a) to (c) Discovery of commission of offences like corporate frauds requires investigations on complaints. During the last three years and the current year from 01-04-2014 to 30-06-2014 the Ministry, has ordered investigations under section 235 and section 237 of the Companies Act, 1956 through the Serious Fraud Investigation Office (SFIO) of the Ministry in respect of 152 companies for alleged corporate frauds. These cases involve allegations of siphoning off/ diversion of funds belonging to companies by the promoter/directors, manipulation of books of accounts and other records and frauds through running of schemes by companies for collecting money from the public, etc. Year-wise details are as under:

Year	No. of companies ordered for investigation
2011-12	13
2012-13	43
2013-14	93
2014-15	03
(up to 30-06-2014)	
Total	152

(d) Government has initiated a number of measures to prevent and deal with occurrence of corporate frauds. These are as under:

- # Enhanced disclosure norms under the Companies Act, 2013 so that investors get all relevant information from the companies;
- # "Fraud" has been defined under the Companies Act, 2013 for the first time as a substantive offence, and cover many dubious activities which were not specifically covered under the Companies Act, 1956;
- # Serious Fraud Investigation Office (SFIO) has been granted statutory status with adequate powers under the Companies Act, 2013.
- # Provisions for attachment and disgorgement of assets introduced under the Companies Act, 2013.
- # Auditors' accountability and independence enhanced through provisions which inter alia include rotation of auditors, etc. This would improve objectivity of audit and provide better insights to the investors;
- # The Ministry organizes investor awareness programmes regularly in association with the three professional institutes – Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICAI) and Institute of Company Secretaries of India (ICSI) in various cities under the aegis of Investor Education and Protection Fund (IEPF). The programmes are held for creating awareness and empowerment amongst investors. Since 2012-13, MCA has also started organizing such programmes in rural areas through CSC e-Governance Services India Ltd., an entity under Department of Electronics and Information Technology. 2897 such programmes were organised during the year 2013-14.