

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:4213

ANSWERED ON:11.08.2017

Violations by Audit Firms

Mahajan Smt. Poonam ;Yadav, Shri,Tejpratap Singh

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the existing provisions provide penal action only on chartered accountants for any wrong-doing in auditing and if so, the details thereof;
- (b) whether the Government considers to amend the Companies Act to make auditing firms also liable to prosecution and if so, the details thereof;
- (c) whether the Government has taken cognizance of several instances of violations by auditors Pricewaterhouse Coopers (PwC) and its partner firms over the last ten years that pose serious threats to public interest and national security;
- (d) if so, the details thereof and the action taken by the Government to minimize the impact of those violations; and
- (e) whether the Government is also contemplating for tighter norms for peer review of audits and if so, the action being taken by the Government in this regard?

Answer

THE MINISTER OF STATE (SHRI ARJUN RAM MEGHWAL)

IN THE MINISTRY OF CORPORATE AFFAIRS (???? ?????? ??? ??????)

????????? ?????? ?????????? ??? ?????? ???????

(a) & (b):- Sub-section (2) of section 147 of Companies Act, 2013 (The Act) provides that if an auditor of a company contravenes any of the provisions of sections 139, 143, 144 or 145 of the Act, the auditor shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees. Further proviso to sub-section (2) of section 147 provides that if an auditor has contravened such provisions knowingly or wilfully with the intention to deceive the company or its shareholders or creditors or tax authorities, he shall be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

In addition to above, if an audit is conducted by an audit firm and there is any fraud or collusion in fraud, concerned partners of the audit firm as well as the audit firm are jointly and severally liable.

The Explanation II to section 140 of the Companies Act, 2013 provides that for the purposes of Chapter X, the word "auditor" includes a firm of auditors.

(c) & (d):- Prosecutions under the provisions of the Companies Act, 1956 have been filed against the partners of Pricewaterhouse Coopers (PwC) in nine companies.

(e):- The Government has set up a Quality Review Board under the provisions of the Chartered Accountants Act, 1949 for evaluation and review of the quality of work and services provided by the chartered accountants. There is no proposal under consideration for changing the Rules relating to the Quality Review Board.
