

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

RAJYA SABHA
UNSTARRED QUESTION NO. 1801
ANSWERED ON TUESDAY, DECEMBER 19, 2023

**TRANSPARENCY AND ACCOUNTABILITY IN CORPORATE SECTOR
QUESTION**

1801. SHRI SATISH CHANDRA DUBEY:

Will the Minister of CORPORATE AFFAIRS
be pleased to state:

- (a) the manner in which Government has promoted transparency and accountability in the corporate sector; and
(b) the steps taken to strengthen corporate governance in the country?

ANSWER

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING AND MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS

[RAO INDERJIT SINGH]

(a) & (b) : The Companies Act, 2013 (Act) and rules made thereunder contain important provisions to ensure transparency in corporate management. The Act and Rules require companies to maintain books of account, various returns and registers in the prescribed form and keep them at their registered offices. The statutory registers and returns maintained and kept by companies can be inspected as required by members or other security holders or other persons in accordance with section 94 of the Act. The companies are also required to forward notices for the general meetings along with explanatory statements as well as other attachments for information of shareholders. Annual financial statements are also required to be forwarded to the shareholders. In addition, the companies are required to file various documents, copies of resolutions and returns with the Registrar. The disclosures in the Board's report, financial statements and annual returns also seek to ensure that every relevant information is available to the stakeholders as well as in the Registry. The documents kept by the Registrar can be inspected or copies taken electronically by any person in accordance with the provisions of section 399 of the Act. The Act also includes provisions relating to independent directors, Audit Committee, Nomination & Remuneration Committee, independent auditors & vigil mechanism to ensure higher levels of transparency and accountability.

National Financial Reporting Authority (NFRA) set up by the Government as an independent regulator (for large companies and their auditors) has been functioning since 2018. The Authority has the mandate to recommend accounting & auditing standards, ensure the quality of audit and take enforcement action in suitable cases. One of the important objectives of NFRA is to enhance investor and public confidence in financial disclosures of specified large companies.

The Government has amended the rules to require mandatory dematerialisation of shares of bigger private companies (i.e. private companies other than small companies). Such requirement seeks to ensure greater transparency and protection of interest of investors.

The Companies Act, 2013 and Limited Liability Partnership Act, 2008 provide for the requirements in respect of identifying and disclosing the details of significant beneficial owners by companies and Limited Liability Partnerships so that there is transparency with regard to the ultimate natural person(s) controlling the affairs of legal entities.

To remove the duplicate and multiple IDs of professionals, two factor authentication (2FA) for users has been introduced on MCA-21 Portal. The user IDs are generated on the basis of unique identifiers like Permanent Account Number (PAN), Director Identification Number (DIN), Membership Number, E-mail ID and Mobile Number. Due to such validation, the users are prohibited from creating multiple and duplicate IDs.
